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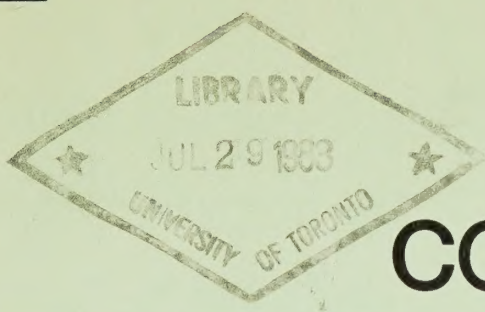








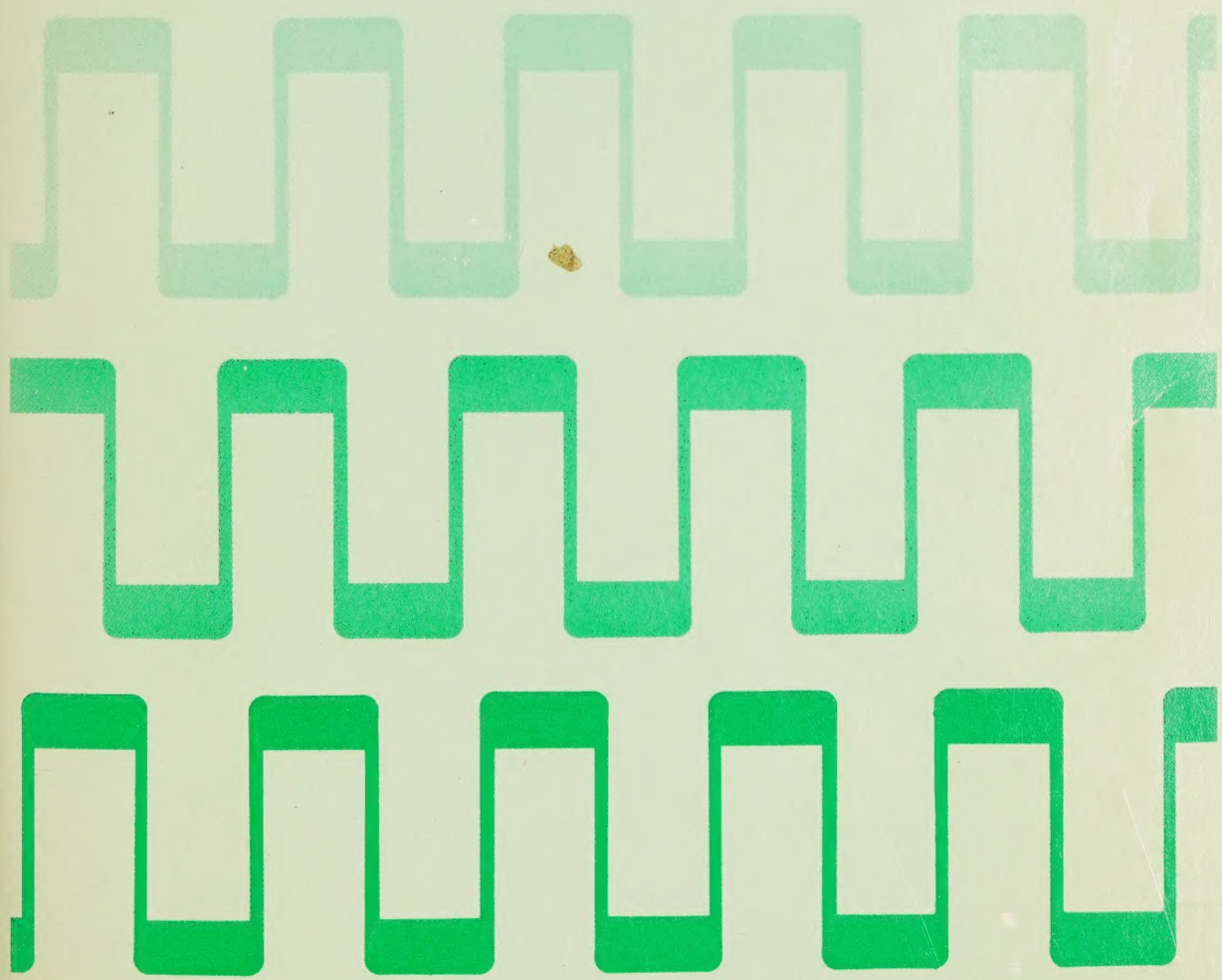
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# ontario telephone service commission

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## 1982      annual report



Ministry of  
Transportation and  
Communications



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Office of the  
Minister

Ministry of  
Transportation &  
Communications

416/965-2101

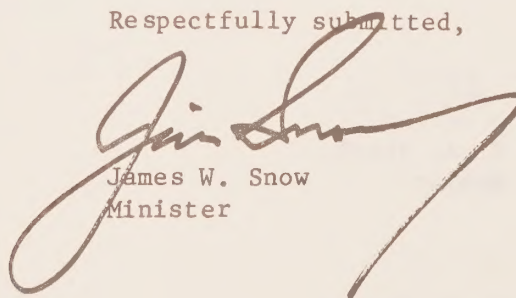
Ferguson Block  
Queen's Park  
Toronto Ontario

The Honourable John Black Aird, OC QC BA LL.D  
Lieutenant Governor of Ontario  
Legislative Building  
Queen's Park

MAY IT PLEASE YOUR HONOUR

I beg leave to present the 1982 Annual Report of the  
Ontario Telephone Service Commission for the year ending  
December 31, 1982.

Respectfully submitted,



James W. Snow  
Minister



Ontario  
Telephone Service  
Commission

Suite 200  
3625 Dufferin St.  
Downsview Ontario  
M3K 1Z2  
416/248-3831

December 31, 1982

The Honourable James W. Snow  
Minister of Transportation and Communications  
3rd Floor, Ferguson Block  
77 Wellesley Street West  
Toronto, Ontario  
M7A 1Z8

Dear Mr. Snow:

We have the honour to present herewith the Annual Report of the  
Ontario Telephone Service Commission for the year ending  
December 31, 1982.

Respectfully submitted,

*V. W. Bielski*  
V. W. Bielski, Q.C.  
Chairman

*Frank Wall*  
F. Wall,  
Vice Chairman

*E. A. Frith*  
E. A. Frith,  
Member

*Margaret E. Parry*  
M. E. Parry,  
Member

*D. A. Austin*  
D. A. Austin,  
Member

*G. Klossler*  
G. Klossler  
Member



**ONTARIO TELEPHONE SERVICE COMMISSION  
1982 ANNUAL REPORT**

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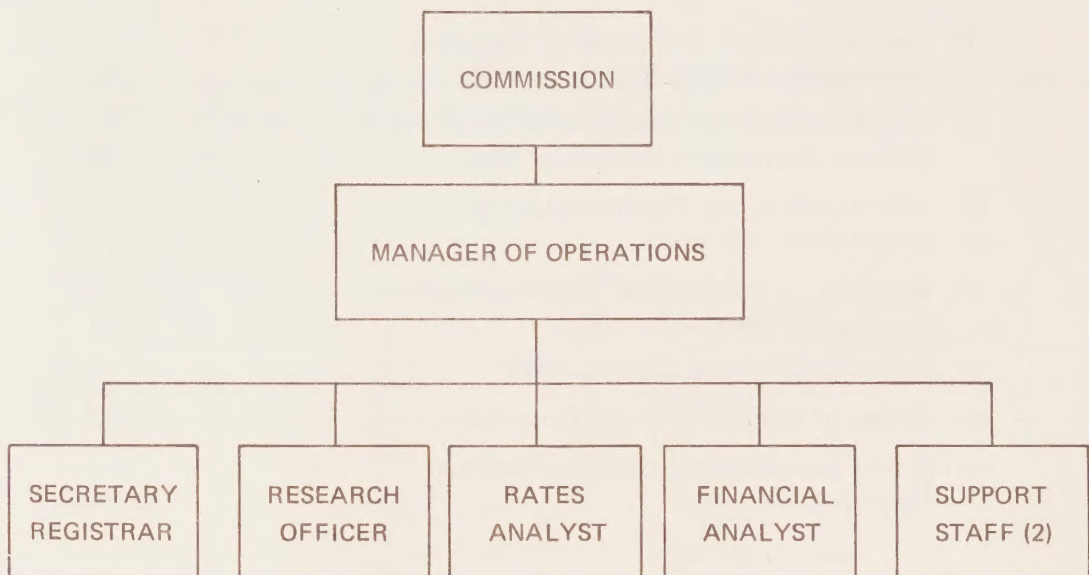
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## 1. THE COMMISSION

The Ontario Telephone Service Commission regulates thirty-one telephone systems in Ontario. The Commission consists of six members as appointed by the Lieutenant Governor in Council.

Chairman	Mrs. V.W. Bielski, Q.C.
Vice-Chairman	Mr. F. Wall
Member	Mr. E.A. Frith
Member	Mrs. M.E. Parry
Member	Mr. D.A. Austin
Member	Mr. G. Klosler

The Commission is assisted by a staff of seven. The following chart outlines the present organizational structure of the Commission.





The Commission's governing statute is The Telephone Act (R.S.O. 1980, c.496) and in 1982 the Commission issued 96 Orders. The following is a summary of the number of Orders issued in respect to the purpose and the section under the Act.

Section	No. of Orders
10 Previous order revoked or amended	6
15 Orders by Commission motion	1
61 Sufficiency of rates for Municipal Telephone Systems	1
88 Approval of company By-Laws and Special Resolutions	3
91 Approval to interconnect customer owned equipment	9
94 Terms for the provision of service	1
96 Approval of agreements for interchange of service between systems	33
105 Approval of changes in local telephone service rates	31
108 Change in depreciation rates	3
109 Approval to issue stock, bonds or indebtedness	6
115 Prescribing filing date of Annual returns	2
<b>TOTAL</b>	<b>96</b>

In 1982 the Commission attended 13 meetings and held public field hearings in Kenora, Manitoulin Island, New Liskeard and Thunder Bay.

The Commission issued five Orders in 1982 as a result of general rate applications. The following chart shows the disposition of the orders which are included as appendices to this report.

#### GENERAL RATE APPLICATIONS

System	Hearings	Intervenors	Increase	Outcome of Request
Kenora	Kenora	1	10.0%	100% approved
Manitoulin Island	West Bay Toronto	16	23.7%	100% approved
Otonabee MTS	Keene	1	16.8%	100% approved
Northern Tel.	New Liskeard Toronto	61	15.0%	95% approved
Thunder Bay	Thunder Bay	9	8.5%	100% approved

The Commission also gave consideration to applications for authorization of the issue of indebtedness. Under section 109 of The Telephone Act, a telephone system cannot issue stock, bonds, or notes, or other evidence of indebtedness, such as long term loans covering a period over twelve months, until Commission authorization is granted. The Commission by its order authorizes the issue and the amount thereof, and states the purpose to which the issue or proceeds are to be applied. In 1982 the Commission approved indebtedness applications for 4 telephone systems.

## **CUSTOMER COMPLAINTS AND INQUIRIES**

The Telephone Act gives the Commission jurisdiction to hear complaints and inquiries from customers concerning the quality of service, rates and management policies of their telephone systems.

Telephone systems operate as monopolies in that they have an exclusive right to operate in their service territory. Since telephone systems do not experience competition from other carriers, dissatisfied customers cannot take their business elsewhere.

Customers can seek recourse with the Commission should they have a dispute with their telephone system. In 1982 the Commission received approximately 140 written and oral inquiries and complaints as a result of either rate applications or individual service problems. Individual service complaints and inquiries (excluding those submissions received during rate applications) appear on the following pages as per system and type of complaint or inquiry.

The Commission investigated and settled all the customer complaints and queries, however it should be noted that one case required a formal hearing and order by the Commission.



TELEPHONE SERVICE

CUSTOMER COMPLAINTS AND INQUIRIES NOT RELATED TO RATE APPLICATIONS

System	Outages	Billings	Line Loads	Deposits	Service Request	*EAS	Other	Total
Abitibi-Price Inc.	—	—	—	—	—	—	1	1
Amtelecom Inc.	—	2	—	—	—	—	1	3
Blanshard Municipal Telephone System	—	1	—	—	—	—	1	2
Brooke Municipal Telephone System	—	—	—	—	—	—	3	3
Bruce Municipal Telephone System	—	—	1	—	—	—	—	1
Coldwater Public Utilities Commission	—	—	—	—	—	—	1	1
Durham Telephones Limited	—	—	—	1	—	—	—	1
Gosfield North Municipal Telephone System	—	1	—	—	—	—	—	1
Hay Municipal Telephone System	—	1	—	—	—	—	—	1
Huron and Kinloss Municipal Telephone System	—	1	—	—	—	1	—	2
Lansdowne Rural Telephone Company Limited	—	—	—	1	—	1	—	2
Manitoulin Island Telephone Company Limited	2	—	1	—	3	—	—	6
Mornington Municipal Telephone System	—	—	—	—	—	—	1	1
North Frontenac Telephone Company Limited	—	1	—	—	—	—	2	3

\* Extended Area Service

TELEPHONE SERVICE

CUSTOMER COMPLAINTS AND INQUIRIES NOT RELATED TO RATE APPLICATIONS

System	Outages	Billings	Line Loads	Deposits	Service Request	*EAS	Other	Total
North Renfrew	—	1	—	1	—	—	—	2
Northern Telephone Limited	1	2	2	—	7	—	3	15
Peoples Telephone Company of Forest Limited, The	—	—	—	—	—	—	2	2
Tuckersmith Municipal Telephone System	—	—	—	—	2	—	—	2
Westport Telephone Company Limited, The	—	—	—	—	1	2	—	3
							1	1
<b>TOTAL</b>	<b>3</b>	<b>10</b>	<b>4</b>	<b>3</b>	<b>13</b>	<b>4</b>	<b>16</b>	<b>53</b>



## 2. MAJOR ACTIVITIES

### i) *Uniform System of Accounts*

The introduction of a Uniform System of Accounts (U.S.O.A.) was initiated approximately four years ago by the Commission. The purpose was to standardize the accounting procedure for the benefit of the telephone systems, and also provide the Commission with a further means of comparing and assessing revenue requirements. A study paper and two drafts were prepared between 1979 and 1981. Comments and suggestions were solicited from the telephone industry and the Ontario Telephone Association.

The Commission has by Order No. 4187, dated November 3, 1982, directed the telephone systems under its jurisdiction to use the Uniform System of Accounts. For accounting purposes the telephone systems were designated into classes (determined by the number of main stations), with the smaller systems being exempt.

Manuals have been printed and distributed to all the telephone systems. The Uniform System of Accounts has been one of the Commission's more ambitious regulatory undertakings and required the full cooperation of the telephone industry. To this end, and to ensure the goal of January 1, 1984 is met, the Commission is providing its staff to assist the Ontario Telephone Association in their training program which is directed to the employees of the various telephone systems. This program will be completed in February of 1983.

### ii) *Quality of Service*

Traditionally, a telephone system's quality of service has been gauged simply by measuring the volume of customer complaints made against the system. The most common complaints received are in regard to line static, outages, timeliness of repair visit, and central office trunk access. Unfortunately, when service has deteriorated to a point where a large percentage of customers are dissatisfied, the recovery process can be both long and costly. The Commission has encouraged systems to use long range forecasting with respect to service improvement and upgrading. The same concept of advanced planning and forecasting can be applied in determining problem areas in quality of telephone service. Ideally, if a problem can be identified in its early stages, it can be rectified with a minimum of cost and inconvenience to the public.

The Commission, since 1981, has undertaken with the assistance of the industry, a quality of service study. The input, especially from the Ontario Telephone Association, has been positive and beneficial. The Commission in consultation with the Ontario Telephone Association, has examined a number of quality of service standards. A report on the Commission's recommendations for quality of service indicators and standards is expected to be released early in 1983. The Commission anticipates that this will be an ongoing matter and will welcome further input from both the public and the industry.

### 3. REGULATORY ISSUES

#### *Terminal Attachment*

The issue of allowing customers to interconnect their own telecommunications devices to the telephone systems under provincial jurisdiction, has been the object of the most intensive regulatory scrutiny by this Commission. Twelve years ago the Commission regulated sixty-six telephone systems. The requirements and conditions from customer provided terminal attachment were dealt with in Order No. 2612, issued in 1970. Between 1970 and 1979, the Commission heard only five customer owned interconnect applications. However, from 1980 to 1982, the Commission issued fourteen orders on separate applications in regard to terminal attachment. The Commission, in 1981, revoked Order No. 2612 and commenced to re-examine the issue of customer provided terminal attachment in light of the technological and regulatory environment of the 1980's.

The Commission in November 1981, placed notices in newspapers throughout Ontario inviting interested parties to submit and identify issues pertaining to customer provided terminal attachment. All submissions were to be filed by December 31, 1981.

The Commission reviewed the submissions, and in February issued a notice inviting interested parties and parties of record to respond to the topics selected by the Commission. While the Commission indicated that it would accept submissions on any issue related to terminal attachment, there were seven issues in particular the Commission wished addressed:

- (1) Whether or not, or to what extent, the attachment of customer provided terminal devices is in the public interest and if so, the appropriate scope and phasing in of customer provided terminal attachment.
- (2) The impact of customer provided terminal attachment on the needs of telephone subscribers, carrier responsiveness and the quality of service generally.
- (3) The impact of customer provided terminal attachment on the revenues, the costs and the rates of the telephone systems.
- (4) The effect of customer provided terminal attachment on telecommunication manufacturers and suppliers.
- (5) The technical standards and the method of compliance which should apply to customer provided terminal devices.
- (6) The rules governing the participation of a telephone system, or subsidiary of a telephone system, in the market for the provision of customer provided terminal devices.
- (7) The nature and extent of the Commission's jurisdiction to issue orders dealing with customer provided terminal attachment particularly with respect to the current tariffs of the telephone systems under Commission jurisdiction, and other questions of law.

Numerous submissions were received and the following parties attended and participated at a general issues hearing held in Downsview on June 23, 1982.



CNCP Telecommunications;  
Canadian Business Equipment Manufacturers Association;  
Canadian Communications Workers;  
Canadian Radio Common Carriers Association;  
Consumer and Corporate Affairs Canada;  
The Corporation of the City of Thunder Bay;  
International Brotherhood of Electrical Workers;  
MidCanada Phone Systems;  
Northern Telephone Limited;  
Ontario Hospital Association;  
Ontario Telephone Association;  
Joint Submission of:     Durham Telephones Limited;  
                                  Hurontario Telephones Limited;  
                                  North Norwich Municipal Telephone System.

Interim Order No. 4188 was issued November 18, 1982, and permitted interconnection on a broad scale for business and residences in large telephone systems containing more than 1500 main telephones. Systems with less than 1500 main telephones would be permitted interconnection on residence service only, business interconnection would require approval by the Commission. For the purposes of Order 4188, a single line service is a single line installation including Individual Residence or Business Service, the inside wiring and the main telephone set. A multi-line installation consists of more than one Individual Residence or Business Service connected to multi line equipment such as a key system. In some cases, one customer could have more than one type of installation, such as a single-line installation alongside a multi-line installation. It would be possible, in such a case, for the customer to own the terminal equipment related to the multi-line installation, while the carrier owns the single-line equipment.

The Commission is sensitive to the industry's concerns regarding compensatory rates for such items as: customer repair visits where it is found that the customer provided equipment is at fault; the provision of inside wiring; accounting procedure for the sale of equipment, and more importantly, the impact on revenue requirement. To assist in this area the Commission invited all interested parties to file submissions by the end of March 1983, with respect to the unbundling of rates. The Commission will monitor the effects of the interim decision on both the public and telephone industry before a final decision on interconnection is made.

ii) *Comparative Requirements Test*

Revenues derived from long distance toll charges comprise the greatest source of income for many of the independent telephone systems in Ontario. Toll revenues are divided between the independents and Bell Canada based on a methodology agreed to in a Traffic Agreement. The Traffic Agreement consists of a series of formulas covering services undertaken between the two carriers. The formulas take into account such factors as the size of the system, the presence of toll enhancing features (i.e. Automatic Number Identification) and the volume of traffic originating from the exchanges. The Traffic Agreement is the object of protracted negotiation between the independent telephone systems and Bell Canada. When an agreement is reached the new formulas are filed with the carrier's respective regulators for approval.

Differences between carriers with regard to revenue sharing have not always been resolved without regulatory intervention. In 1976 the Canadian Radio-television and Telecommunications Commission (C.R.T.C.) was asked to hear a dispute between British Columbia Telephones (B.C. Tel.) and the City of Prince Rupert with regard to separation of gross toll. The C.R.T.C. appointed a Committee of Inquiry to review the subject of toll separation between the two systems.

The Committee of Inquiry submitted to the C.R.T.C. a paper entitled The Prince Rupert Report. The Prince Rupert Report recommended the application of a Traffic Agreement supplement called a Comparative Requirements Test (C.R.T.). The concept of C.R.T. can best be described in the following quote:

Assume the local connecting Company and it's subscribers were transformed into a similarly situated community within the toll company's operating area. Then the local company should obtain a level of compensation from the toll company which will ensure that it's subscribers are treated substantially the same as those in the similarly situated community of the toll company's territory. (Prince Rupert Report p.66)

The Commission embraces the general principles outlined in the Prince Rupert Report. The issues addressed in that case should also apply to toll separation negotiations between the Ontario independents and Bell Canada.

The Commission in 1982 received an application from Amtelecom Incorporated for approval of a C.R.T. supplement to the Traffic Agreement with Bell Canada. While the Commission approved the application it nevertheless had serious concerns regarding its implications. A review of the application uncovered methodologies which were inconsistent with those approved by the Commission for determining revenue requirement. The adjustments made by the carriers to the rate base, the rate of return, the comments on the service improvements, the construction program, and the calculation of expenses were based on criteria not used by the Ontario Telephone Service Commission. The Commission in Order No. 4125 stated emphatically that all future C.R.T. applications would have to conform to the practices and policies approved by the Commission.

The Commission on November 24, 1982 received an application for approval of a C.R.T. agreement between Manitoulin Island Telephone Company and Bell Canada. It is expected that a decision will be reached on this matter early in 1983.

## APPENDICES

### APPENDIX (i)

Type of Entity of the Independent Telephone Systems Operating in Ontario in 1982.

	Systems		Telephones	
	No.	%	No.	%
Systems operated as public utilities by municipal corporations	5	16.1	120,814	44.0
Municipal Systems	11	35.5	38,696	14.0
Incorporated companies	15	48.4	114,807	42.0
<b>Total</b>	<u>31</u>	<u>100.0</u>	<u>274,317</u>	<u>100.0</u>

### APPENDIX (ii)

Size Distribution of the Independent Telephone Systems Operating in Ontario in 1982.

No. of Telephones	No. of Systems	Percent
0 - 500	1	3.2
501 - 1,000	1	3.2
1,001 - 2,000	11	38.7
2,001 - 3,000	6	16.2
3,001 - 4,000	3	9.6
4,001 - 5,000	3	9.6
5,001 - 10,000	2	6.5
10,001 - 50,000	2	6.5
50,001 - 100,000	2	6.5
<b>Total</b>	<u>31</u>	<u>100.0</u>



### APPENDIX (iii)

Net growth of the Telephone Industry in Ontario since 1972.

Dec. 31	No. of Systems	No. of Telephones	% Change
1972	40	205,470	5.40
1973	40	216,007	5.13
1974	40	227,810	5.46
1975	40	240,700	5.66
1976	39	258,161	7.25
1977	36	262,363	1.63
1978	35	274,916	4.78
1979	32	284,288	3.41
1980	31	261,446	(8.03)
1981	31	270,053	3.29
1982	31	274,317	1.60

APPENDIX (iv) SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1982.

NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	TELEPHONE NUMBERS (A)	OTHER TELEPHONES (B)	TOTAL	TOTAL COMPANY TELEPHONES
3 Abitibi-Price Incorporated	F. R. Robar Electrical Superintendent	Iroquois Falls POK 1E0 (705) 258-3241	Iroquois Falls	624	410	1,034	1,034
3 Amtelecom Incorporated	R. B. Barnard President and General Manager	18 Sydenham Street Aylmer N5H 1L2 (519) 773-8441	Aylmer Cambray Dyer's Bay Lion's Head Port Burwell Stokes Bay Stratfordville Tobermory	4,534 612 110 765 604 92 991 483	2,539 134 18 212 236 16 384 143	7,073 746 128 977 840 108 1,375 626	
2 Blanshard Municipal Telephone System	L. Mardlin Manager	Kirkton NOK 1K0 (519) 229-8933	Granton Kirkton Sebringville Uniondale	542 956 1,033 411	350 611 562 228	892 1,567 1,595 639	11,873
2 Brooke Municipal Telephone System	W. Chapman Manager	P.O. Box 40 Inwood NON 1K0 (519) 844-2160	Alvinston Inwood Watford	293 489 541	125 219 233	418 708 774	4,693
2 Bruce Municipal Telephone System	J. T. Scurfield Manager	Box 580 Kincardine N0G 2G0 (519) 396-3322	Kincardine Paisley Port Elgin Tiverton	1,323 3,690 879 3,410 1,123	577 1,847 378 1,495 315	1,900 5,537 1,257 4,905 1,438	1,900
3 Capital Telephone Company Limited	R. M. Botham Assistant Secretary- Treasurer	c/o Bell Canada 393 University Avenue 19th Floor Toronto M5G 1W9 (416) 599-4936	Maberly	9,102 207	4,035 68	13,137 275	275
1 Cochrane Public Utilities Commission	G. F. Jarvis Engineering Manager	153 Sixth Avenue Box 640 Cochrane P0L 1C0 (705) 272-4232	Cochrane	2,107	1,408	3,515	3,515

APPENDIX (iv) SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1982.

NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	TELEPHONE NUMBERS (A)	OTHER TELEPHONES (B)	TOTAL	TOTAL COMPANY TELEPHONES
2 Coldwater Municipal Telephone System	G. Moreau Secretary-Treasurer	P.O. Box 202 Coldwater LOK 1EO (705) 686-3698	Coldwater	806	303	1,109	1,109
1 Dryden Municipal Telephone System	B. H. Moline Operations Manager	30 Van Horne Avenue Dryden P8N 2A7 (807) 223-2226	Dryden	3,175	2,633	5,808	5,808
3 Durham Telephones Limited	J. E. Downs General Manager	63 Brule Gardens Toronto M6S 4J5 (416) 767-4042	Cavan Millbrook	330 815 1,145	140 376 516	470 1,191 1,661	1,661
2 Gosfield North Municipal Telephone System	B. Weaver Administrator	Box 130 Cottam NOR 1B0 (519) 839-4734	Cottam	1,109	483	1,592	1,592
2 Hay Municipal Telephone System	W. H. Wagner Manager and Secretary-Treasurer	Box 99 Zurich NOM 2T0 (519) 236-4333	Dashwood Grand Bend Zurich	432 1,762 955	218 657 403	650 2,419 1,358	
2 Huron and Kinloss Municipal Telephone System	C. Nicholson Manager	P. O. Box 220 Huron Street Ripley NOC 2R0 (519) 395-2626	Dungannon Ripley	3,149 845 1,702 2,547	1,278 274 645 919	4,427 1,119 2,347 3,466	4,427 3,466
3 Hurontario Telephones Limited	K. V. Stevens Manager	P.O. Box 59 Thedford NOM 2N0 (519) 296-4926	Port Franks Thedford	880 550 1,430	302 276 578	1,182 826 2,008	2,008
1 Keewatin Municipal Telephone System	E. A. Sherred Clerk-Treasurer	P. O. Box 139 Keewatin POX 1C0 (807) 547-2881	Keewatin	786	488	1,274	1,274



APPENDIX (iv) SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1982.

	NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	TELEPHONE NUMBERS (A)	OTHER TELEPHONES (B)	TOTAL	TOTAL COMPANY TELEPHONES
1	Kenora Municipal Telephone System	George Dunford Operating Head	P. O. Box 1110 Kenora P9N 3X7 (807) 468-8906	Kenora	5,030	4,180	9,210	9,210
3	Lansdowne Rural Telephone Company Limited	R. P. Crawford General Manager	P.O. Box 9 Lansdowne KOE 1L0 (613) 659-2222	Lansdowne	1,299	551	1,850	1,850
3	Manitoulin Island Telephone Company Limited	R. B. Barnard General Manager	18 Sydenham Street East Aylmer N5H 1L2 (519) 773-8441	Manitowaning Mindemoya	807 837 1,644	271 349 620	1,078 1,186 2,264	2,264
2	Mornington Municipal Telephone System	E. J. Bay Secretary-Treasurer	16 Mill Street Milverton NOK 1M0 (519) 595-8331	Milverton	1,507	732	2,239	2,239
3	North Frontenac Telephone Company Limited	H. J. Schmidt Secretary-Treasurer	Box 130 Baden N0B 1G0 (519) 634-5300	Parham Sharbot Lake	442 696 1,138	78 184 262	520 880 1,400	1,400
2	North Norwich Municipal Telephone System	A. Williams Secretary-Treasurer	P.O. Box 33 Burgessville N0J 1C0 (519) 424-9171	Burgessville Norwich Woodstock (S) (S)	842 312 274 1,428	357 144 175 676	1,199 456 449 2,104	2,104
3	North Renfrew Telephone Company Limited	W. Vandekemp Manager	Box 70 Beachburg K0J 1C0 (613) 582-3600	Beachburg Pembroke Westmeath (S)	526 262 320 1,108	210 128 93 431	736 390 413 1,539	1,539

APPENDIX (iv) SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1982.

NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	TELEPHONE NUMBERS (A)	OTHER TELEPHONES (B)	TOTAL	TOTAL COMPANY TELEPHONES
3 Northern Telephone Limited	M. W. Cooper President and General Manager	17 Paget Street Box H New Liskeard POJ IPO (705) 647-7311	Abitibi Canyon Calstock Cobalt Cochrane (S) Connaught Detour Lake Earlton Elk Lake Englehart Fauquier Gowganda Haileybury Hearst Iroquois Falls Kamiskotia Kapuskasing Kirkland Lake Larder Lake Latchford Matheson Mattice Moonbeam New Liskeard Opasatika Opishong Ramore Smooth Rock Falls South Porcupine Swastika Timmins Virginiatown	21 121 898 653 132 16 882 214 1,484 239 70 1,804 2,736 2,010 56 5,094 5,145 430 138 141 702 334 538 3,759 141 9 363 929 2,890 726 15,124 460 48,259	69 64 409 229 38 18 349 84 709 79 29 903 1,878 982 8 4,066 2,822 133 49 56 340 86 216 2,670 55 2 137 531 2,543 344 9,717 191 29,806 390	90 185 1,307 882 170 34 1,231 298 2,193 318 99 2,707 4,614 2,992 64 9,160 7,967 563 187 197 1042 420 754 6,429 196 11 500 1,460 5,433 1,070 24,841 651 78,065 1,333	
2 Otonabee Municipal Telephone System	J. D. Coit Secretary-Treasurer	P.O. Box 40 Keene KOL 2G0 (705) 294-4412	Keene	943			
3 People's Telephone Company of Forest, Limited (The)	G. Maxfield Manager	P.O. Box 700 Forest NON IJO (519) 786-2351	Aberarder Arkona Forest	651 488 2,144 3,283	231 269 918 1,418	882 757 3,062 4,701	4,701

APPENDIX (iv) SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1982.

NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	TELEPHONE NUMBERS (A)	OTHER TELEPHONES (B)	TOTAL	TOTAL COMPANY TELEPHONES
3 Roxborough Telephone Company Limited	J. W. Beach Manager	P.O. Box 179 Moose Creek KOC 1W0 (613) 538-2800	Moose Creek	390	183	573	573
3 South Bruce Rural Telephone Company Limited	A. T. McTavish Manager and Secretary-Treasurer	Teeswater NOG 2S0 (519) 392-6873	Mildmay Teeswater	1,068 930	317 292	1,385 1,222	
1 Thunder Bay Telecommunications	A. M. Hawkins Manager	241 Vickers Street South Thunder Bay P7E 1J5 (807) 623-2711	Court Street Current River MacKenzie Murillo Riverview Rosslyn Shuniah Vickers Street	16,795 2,565 689 637 9,773 1,187 7,158 16,720	14,394 1,501 181 242 9,386 616 3,910 15,253	31,189 4,066 870 879 19,159 1,803 11,068 31,973	2,607
2 Tuckersmith Municipal Telephone System	M. Graham Secretary-Treasurer	R. R. #1 Brucefield NOM 1J0 (519) 482-9908	Bayfield Clinton Hensall Seaforth	761 345 356 422	251 171 191 199	1,012 516 547 621	101,007
3 Westport Telephone Company	H. A. Lynn Manager	Box 252 Westport KOG 1X0 (613) 273-2121	Westport	1,884 1,081	812 330	2,696 1,411	2,696 1,411
3 Wightman Telephone Limited	R. Wightman President	Box 70 Clifford NOG 1M0 (519) 327-8012	Ayton Clifford Gorrie Neustadt	408 593 1,085 323	192 277 554 114	600 870 1,639 437	3,546
TOTAL:				2,409 167,568	1,137 106,749	3,546 274,317	3,546 274,317



APPENDIX (iv) SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1982.

NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	TELEPHONE NUMBERS (A)	OTHER TELEPHONES (B)	TOTAL	TOTAL COMPANY TELEPHONES
		GROUPS:					
	1.	Systems established under the Telephone Act by municipal corporations and operated as public utilities.					
	2.	Systems established under the Telephone Act by, and vested in municipal corporations in trust for the benefit of the subscribers and operated by the municipal council or by a commission elected by the subscribers.					
	3.	Incorporated companies.					
	NOTES:						
	(A)	Main telephones and PBX trunk lines.					
	(B)	Extensions and coin telephones.					
	(S)	Indicates the exchange to which service system lines connect.					

**APPENDIX (v) COMMISSION ORDERS ISSUED - 1982**

ORDER	DATE ISSUED	APPLICANT	PURPOSE	EFFECTIVE
4099	82 01 29	Otonabee Municipal Telephone System	Approval of change in rates for local telephone service	82 01 29
4100	82 02 26	Amtelecom Incorporated	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4101	82 02 26	Blanshard Municipal Telephone System	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4102	82 02 26	Brooke Municipal Telephone System	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4103	82 02 26	Capital Telephone Company, Limited	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4104	82 02 26	Coldwater Municipal Telephone System	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4105	82 02 26	Dryden Municipal Telephone System	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4106	82 02 26	Durham Telephones Limited	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4107	82 02 26	Hay Municipal Telephone System	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4108	82 02 26	Huron & Kinloss Municipal Telephone System	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4109	82 02 26	Huronario Telephones Limited	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4110	82 02 26	Keewatin Municipal Telephone System	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4111	82 02 26	Lansdowne Rural Telephone Company Limited	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4112	82 02 26	Manitoulin Island Telephone Company Limited	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4113	82 02 26	Mornington Municipal Telephone System	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4114	82 02 26	North Frontenac Telephone Company Limited	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4115	82 02 26	North Norwich Municipal Telephone System	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4116	82 02 26	North Renfrew Telephone Company Limited	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4117	82 02 26	People's Telephone Company of Forest, Ltd.	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4118	82 02 26	Roxborough Telephone Company Limited	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4119	82 02 26	South Bruce Rural Telephone Company Limited	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4120	82 02 26	Thunder Bay Telecommunications	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4121	82 02 26	Tuckersmith Municipal Telephone System	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4122	82 02 26	Westport Telephone Company	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4123	82 02 26	Wightman Telephone Limited	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4124	82 02 12	Northern Telephone Limited	Approval of revised Traffic Agreement with Bell Canada Generic 205 Ext. of SX200 E. Private B.E.S.	82 02 12

# APPENDIX (v) COMMISSION ORDERS ISSUED -- 1982

ORDER	DATE ISSUED	APPLICANT	REPORT	EFFECTIVE
4125	82 02 16	Amtelcom Incorporated	C.R.T.	82 02 16
4126	82 02 16	Amtelcom Incorporated	Evidence of Indebtedness	82 02 16
4127	82 02 26	Bruce Municipal Telephone System	Approval of revised Traffic Agreement with Bell Canada	82 02 26
4128	82 03 03	Lansdowne Rural Telephone Company Limited	Increase in Installation Charges and Pay-Phone Charge	82 03 03
4129	82 03 04	Wightman Telephone Limited	Approval of rate for NE 404-B Type Jack	82 03 04
4130	82 03 04	Kenora Municipal Telephone System	Approval of revised Traffic Agreement with Bell Canada	82 03 04
4131	82 03 12	Northern Telephone Limited	Change in late payment charge of overdue accounts	82 03 12
4132	82 03 12	Bruce Municipal Telephone System	Bruce/Bell Canada - Bruce Nuclear Power Development Site	82 03 12
4133	82 03 31	Manitoulin Island Telephone Company Limited	Approval of rates for local telephone service	82 03 31
4134	82 03 31	Northern Telephone Limited	Evidence of Indebtedness (not to exceed \$4M)	82 03 31
4135	82 03 31	Dryden Municipal Telephone System	Approval of rates Apartment Enterphone System	82 01 31
4136	82 04 13	Roxborough Telephone Company Limited	Approval of rates Digi-Pulse & Non-Recurring Service Charge	82 04 13
4137	82 04 07	Amtelcom Incorporated	Approval to increase Coin Telephone Charges (0.25)	82 04 07
4138	82 04 07	Amtelcom Incorporated	Evidence of Indebtedness (\$3,630,000)	82 04 07
4139	82 04 07	Westport Telephone Company Limited	Approval of rates for SK-1 Telephone Systems	82 04 07
4140	82 04 15	Northern Telephone Limited	Change in depreciation rates	82 04 15
4141	82 04 23	Cochrane Public Utilities Commission	Approval for late filing of Annual Returns	82 04 23
4142	82 04 23	Coldwater Municipal Telephone	Approval for late filing of Annual Returns	82 04 23
4143	82 04 23	Northern Telephone Limited	Approval of By-Law No. 9 (Director's Fees)	82 04 23
4144	82 05 03	Northern Telephone Limited	Approval of Rates - Vantage 12 and SM-1 Systems	82 05 03
4145	82 05 07	Amtelcom Incorporated	Approval of late payment charge on overdue accounts	82 05 07
4146	82 05 18	Northern Telephone Limited	Approval of an Issue of Debentures	82 05 18
4147	82 05 18	Northern Telephone Limited	Evidence of Indebtedness \$4,000,000	82 05 18
4148	82 05 31	North Norwich Municipal Telephone System	Evidence of Indebtedness \$125,000	82 05 31
4149	82 05 31	Thunder Bay Telecommunications	Evidence of Indebtedness \$2,547,000	82 05 31



**APPENDIX (v) COMMISSION ORDERS ISSUED - 1982**

<u>ORDER</u>	<u>DATE ISSUED</u>	<u>APPLICANT</u>	<u>PURPOSE</u>	<u>EFFECTIVE</u>
4150	82 05 31	Northern Telephone Limited	Amendment to Order No. 4147	82 05 31
4151	82 06 09	Northern Telephone Limited	Approval of Additional Revenue Requirement	82 06 09
4152	82 06 23	Northern Telephone Limited	Approval of Rate Structure	82 06 23
4153	82 06 23	Thunder Bay Telecommunications	Approval of Additional Revenue Requirement	82 06 23
4154	82 06 30	Hay Municipal Telephone System	Approval of N.S.F. cheque charge	82 06 30
4155	82 06 30	Huronario Telephones Limited	Approval of Special Resolution	82 06 30
4156	82 06 30	Huron & Kinloss Municipal Telephone System	Approval to levy Deposit Charges and N.S.F. Cheque Charges	82 06 30
4157	82 06 30	Huron & Kinloss Municipal Telephone System	Approval of Non-Recurring Service Charges and Pay Phone Charges	82 06 30
4158	82 06 30	Dryden Municipal Telephone System	Approval of Public/Semi-Public minimal revenue guarantee	82 06 30
4159	82 06 30	Wightman Telephone Limited	Approval of Rate for Signal Circuit	82 06 30
4160	82 06 30	Cochrane Public Utilities Commission	Approval of T/A and Appendices "A" to T/A with ONTC	82 06 30
4161	82 06 30	Cochrane Public Utilities Commission	Approval of Traffic Agreement and Appendices	82 06 30
4162	82 06 30	Kenora Municipal Telephone System	Approval of Additional Revenue Requirement	82 06 30
4163	82 07 06	Otonabee Municipal Telephone System	Approval of Revised Traffic Agreement with Bell Canada	82 07 06
4164	82 07 23	Amtelecom Incorporated	Approval of Special Resolution By-Law No. 50	82 07 23
4165	82 07 23	Hay Municipal Telephone System	Approval to Increase Telephone Coin Charge	82 07 23
4166	82 07 23	Tuckersmith Municipal Telephone System	Approval of Late Payment Charge on Overdue Accounts	82 07 23
4167	82 07 23	Tuckersmith Municipal Telephone System	Setting Terms & Cond'ns for service (Wildwood Campers Asso'n)	82 07 23
4168	82 07 27	Thunder Bay Telecommunications	Approval of Connection/Napco DD485 Digital Dialer to TB Tel.	82 07 27
4169	82 07 27	Lansdowne Rural Telephone Company Limited	Approval of Connection CK530 Key System to Lansdowne Telephone	82 07 27
4170	82 07 27	Thunder Bay Telecommunications	Approval of Connection of the Protect Alert to TB Telecom.	82 07 27
4171	82 07 29	Hay Municipal Telephone System	Approval of rates for Custom Calling Features	82 07 29
4172	82 08 20	Zenith Radio Corporation	Approval of Connection of Zenith Advanced Space Phone	82 08 20
4173	82 08 20	Xerox Canada	Approval of Connection of TC 455 Telecopier	82 08 20
4174	82 08 20	Telautograph Corporation	Approval of Connection of OMNIFAX	82 08 20

# APPENDIX (w) COMMISSION ORDERS ISSUED - 1982

ORDER	DATE ISSUED	APPLICANT	PURPOSE	EFFECTIVE
4175	82 09 14	Manitoulin Island Telephone Company Limited	Approval of Late Payment charge on Overdue Accounts	82 09 14
4176	82 09 15	Northern Telephone Limited	Approval of Agreement Rev. App. "A", Sec. 1 to T/A with ONTC and to change Rate Group 3 in Detour Lake exchange	82 09 15
4177	82 09 28	Northern Telephone Limited	Amendment to Order No. 4140	82 09 28
4178	82 09 28	Northern Telephone Limited	Approval of rates - SX20 Electronic PABX Equipment	82 09 28
4179	82 09 30	People's Telephone Company of Forest Ltd.	Approval of Coin Telephone Charge	82 09 30
4180	82 10 15	Cosfield North Municipal Telephone System	Approval of revised Traffic Agreement with Bell Canada	82 10 15
4181	82 10 18	Dryden Municipal Telephone System Limited	Approval of rates for SL1 PABX System	82 10 18
4182	82 10 18	Thunder Bay Telecommunications	Approval to exempt 404B-Type Jacks from monthly tariff	82 10 18
4183	82 10 26	City of Thunder Bay	Approval of Visual Ear and Teletype Equipment Connection	82 10 26
4184	82 10 29	Northern Telephone Limited	Amendment to Order No. 4177, Section 1.4	82 10 29
4185	82 10 29	Thunder Bay Telecommunications	Amendment to Order No. 4153, Section 10	82 10 29
4186	82 11 03	Northern Telephone Limited	Approval of connection of customer-provided Terminal Equipment	82 11 03
4187	82 11 18	Ontario Telephone Service Commission	Uniform System of Accounts for Independent Telephone Systems	82 11 18
4188	82 11 18	The Commission on its own motion	Approval of Interconnection of cust. provided Terminal Equipment	82 11 18
4189	82 12 07	South Bruce Rural Telephone Company	Approval of revised ANI Agreement - App. 2, Sec. 2.7	82 12 07
4190	82 12 15	Hay Municipal Telephone System	Amendment to Order No. 3561 - Four Party Rates	82 12 15
4191	82 12 15	North Norwich Municipal Telephone System	Approval of security deposit (Res. \$75.00/Bus.\$150.00)	82 12 15
4192	82 12 17	Northern Telephone Limited	Approval to change depreciation rates and include 1981 True-Up	82 12 17
4193	82 12 20	Wightman Telephone Limited	Appendix B 1980, re Order Nos. 4082, 4083, 4084	82 12 20
4194	82 12 21	Amtelcom Incorporated	Approval to change depreciation rates	82 12 21
			Amending Order Nos. 4138/4126/3747 - Evidence of Indebtedness	82 12 21

## APPENDIX (vi)

### ORDERS OF JUDGEMENT OF THE COMMISSION

- 4099 IN THE MATTER of an application by the commissioners for the telephone system of the Municipality of Otonabee for approval of a change in rates for local telephone service.
- 4125 IN THE MATTER of an application by Amtelecom Incorporated for approval of a Comparative Requirements Test Supplement Agreement with Bell Canada.
- 4133 IN THE MATTER of an application by The Manitoulin Island Telephone Company Limited for approval of a change in rates for local telephone service.
- 4151 IN THE MATTER of an application by Northern Telephone Limited for approval of a change in rates for telephone service.
- 4153 IN THE MATTER of an application by the Corporation of the City of Thunder Bay for approval to change the rates for local telephone service.
- 4162 IN THE MATTER of an application by the Corporation of the Town of Kenora for approval to change the rates for local telephone service.
- 4167 IN THE MATTER of an application by the Wildwood Campers Association in regard to the setting of terms and conditions for the provision of telephone service by the Tuckersmith Municipal Telephone System.
- 4187 IN THE MATTER of a Uniform System of Accounts for the Telephone Systems in Ontario.
- 4188 IN THE MATTER of the interconnection of customer provided terminal equipment to the facilities of the telephone systems subject to the jurisdiction of Ontario.





ONTARIO TELEPHONE SERVICE COMMISSION

ORDER NO. 4099

Friday, the 29th day of January, A.D. 1982

**B E F O R E**

W. Bielski, Q.C.	)	IN THE MATTER of sections 6(1),
Chairman	)	61(1) and 105 of The Telephone Act
	)	(RSO 1980, c.496)
M.E. Parry	)	
Member, and	)	and
	)	
E.A. Frith	)	IN THE MATTER of an application
Member	)	by the commissioners for the tele-
	)	phone system of the Municipality
	)	of Otonabee for approval of a change
	)	in rates for local telephone service.

**HEARD AT:** Keene, October 22, 1981

**APPEARANCES:**

<b>For the Applicant:</b>	Mr. J. MacKelvie, Commissioner
	Mr. A. Davidson, Commissioner
	Mr. J.D. Coit, Secretary-Treasurer
	Mr. J. Johnson, Manager
<b>For the Municipal Council:</b>	Mr. Nelson, Reeve

## 1.0 ORDER

- 1.1 UPON THE APPLICATION of the commissioners for the telephone system of the Township of Otonabee, hereinafter referred to as the Applicant, upon reading the application and other material filed and upon evidence presented during the hearing,
- 1.2 THE COMMISSION AUTHORIZES under and in pursuance of sections 6(1), 61(1) and 105 of The Telephone Act (R.S.O. 1980, c.496) the Applicant to increase local service rates to generate additional annual revenues of approximately \$17,800 based upon the number of local service revenue producing units as of December 31, 1980.
- 1.3 THE COMMISSION APPROVES under and in pursuance of sections 6(1), 61(1) and 105 of The Telephone Act (R.S.O. 1980, c.496), the local telephone service rates and non-recurring service charges in accordance with section 10 of this Order, to become effective on or after the first day of February, 1982.

## 2.0 BACKGROUND

The Applicant filed an application for approval of changes in local telephone rates and non-recurring service charges on July 21, 1981. It was estimated by the Applicant that the increase would result in additional annual revenues of approximately \$17,800 and would require an average rate increase of approximately 16.8 percent.

On August 12, 1981, the Applicant mailed a Notice of Application to each customer which set out the present and proposed rates. Written interventions were to be filed with the Commission on or before September 12, 1981. The Commission received two written submissions in response to the Notice.

Notice of the public hearing in Keene was placed in the newspaper which serves the territory in which the Applicant operates. The hearing was subsequently held in the Otonabee Municipal Arena on October 22, 1981, at which time the Commission asked the Applicant a series of detailed financial questions.

## 3.0 TEST YEAR

The use of a test year for a revenue requirement calculation permits the Applicant and the Commission to focus on a set of financial data for a particular operating period adjusted to annualize known changes which have occurred or may occur within the operating period. The changes in revenues, expenses, etc., occurring within the year will only have a partial year's effect in the test year. However, since a full year effect will be realized in future periods, an annualizing adjustment must be made. This permits a more accurate calculation of rates which will be sufficient for future periods.

When the application was filed in July, the Applicant proposed the use of a 1981 calendar year as the test year. The Applicant made use of six months actual data, which was available at that time and provided estimates for the remaining six months.

In most cases, it is the Commission's preference to employ a future or a current test year instead of an historic test year. This approach facilitates a determination of rates which



will be sufficient to allow the telephone system to pay the cost of operation and maintenance of the system, and the instalments of principal and interest on any outstanding debentures in the present or future periods. However, before a current or future test year can be employed, the Commission must be assured that the forecasts are reasonably reliable and that the estimates were made only after all relevant factors have been taken into account.

During the financial hearing of October 22, 1981, the Applicant was asked a series of questions regarding the forecasts, particularly revenues and expenses for the period July to December, 1981. Although the Commission is impressed with the Applicant's effort to forecast for the purpose of the rate application, the Commission is also aware that the Applicant did not calculate the impact of upgrade program, increase in toll revenues and revisions to the Alternate Appendix B to the Traffic Agreement.

Therefore, the Commission is not confident that the use of a 1981 test year would result in a reasonably reliable calculation of an additional revenue requirement and the Commission has decided instead to employ the actual 1980 fiscal year as the test year.

## 4.0 REVENUES

The Commission has examined local telephone service and other operating revenue and finds them reasonable for the purpose of determining an additional revenue requirement. The Commission also examined toll revenue and has made two adjustments as outlined below.

### 4.1 Toll Revenue

Two events occurred in 1980 which had an influence on the Applicant's toll revenue. A revised Alternate Appendix B to the Traffic Agreement came into effect on June 21, 1980 and a Bell Canada toll rate increase came into effect on September 1, 1980.

The Commission has decided to employ 1980 as the test year for the purpose of determining a revenue requirement for the Applicant. Changes occurring within the test year should be annualized in order to assess the additional annual revenues that will be realized in future periods. Therefore, the Commission has made two adjustments to the Applicant's toll revenue figure for 1980.

#### 4.1.1 *Alternate Appendix B*

On October 22, 1980, the Commission issued Order No. 3990 which approved the revised Alternate Appendix B to the Traffic Agreement between the Applicant and Bell Canada. The Alternate Appendix B which was signed on October 1, 1980 and was retroactive to June 21, 1980, provided the Applicant an additional 10 percent in toll revenue over the amount received under the previous Alternate Appendix B.

The Applicant's toll revenue figure incorporates a six month effect. However the effect should be annualized in order to account for the full impact that will be realized in future years. Therefore, the Commission adjusted the toll revenue figure by \$4,843.

#### 4.1.2 Toll Rate Increase

The Canadian Radio-television and Telecommunications Commission approved Bell Canada's application for a toll rate increase, between toll centers in Ontario and Quebec, effective September 1, 1980. This increase also affected the independent telephone systems' toll revenue.

The toll rate increase resulted in additional annual toll revenues of approximately 11.5 percent.

The toll revenue figure filed in Exhibit 2, page 5, includes a four month effect. In order to annualize this effect the Commission has adjusted the toll revenue figure by \$8,477.

#### 4.2 Uncollectible Revenue

As a result of the adjustments made to toll revenue in section 4.1 of this Order, uncollectible revenue has been adjusted proportionately.

#### 4.3 Summary of Adjustments to 1980 Revenues

In Table 1 the Alternate Appendix B adjustment of \$4,843 and the toll rate increase of \$8,477 have been combined for a total long distance revenue adjustment of \$13,320.

TABLE 1

#### Commission Adjustment to 1980 Revenues

	Otonabee's Actuals	Commission Adjustment	Revised Revenues
Local Service	\$ 53,715		\$ 53,715
Long Distance	84,359	\$ 13,320	97,679
Miscellaneous	48,031		48,031
Less: Uncollectible Revenue	(2,500)	(179)	(2,679)
Total Operating Revenues	\$183,605		\$196,746

## 5.0 EXPENSES

The Commission has examined the Applicant's 1980 expenses and has found them acceptable with one exception as follows:

### 5.1 Depreciation

In April 1976 the Commission issued Order No. 3437 in response to a rate application filed by the Applicant in October 1975. In that Order the Commission ordered that the Applicant calculate depreciation on a straight line basis. The Commission also specified the depreciation rates to be employed for each of the following categories; buildings, furniture and fixtures, tools and equipment, plant, and vehicles.

When the current rate application was filed, the Applicant did not calculate any amount for depreciation either for the proposed 1981 test year, or for the 1980 test year which the Commission has decided to employ.

On September 18, 1981, the Applicant submitted Exhibit 4, a revised calculation of the additional revenue requirement which included an amount for depreciation expense for 1981 only. The Applicant also filed working papers and depreciation schedules as support information for Exhibit 4. The Commission has examined this material very carefully and has found a number of problems in the calculation. Firstly, depreciation expense was calculated using the declining balance method. This is clearly contrary to Commission Order No. 3437 where the Commission ordered the use of the straight line method. Calculating depreciation expense based on the declining balance method instead of the straight line method will result in a lower depreciation expense for the test year.

Secondly, the Applicant was also directed, in Order No. 3437, to use a depreciation rate between 15.0 and 20.0 percent for vehicles. In Exhibit 4 a depreciation rate of 10 percent was employed to calculate 1980 vehicle depreciation expense. This also has the effect of underestimating 1980 depreciation expense.

Finally, the Commission identified mathematical errors in the depreciation schedule prepared for the years 1960 to 1975 inclusive. During the financial hearing of October 22, 1981, Mr. Coit, witness for the Applicant, was asked to explain the calculation of depreciation on the schedule from Exhibit 4. Mr. Coit admitted that he did not know how the depreciation expense had been calculated and agreed that it did not appear to be correct.

The Commission has recalculated the 1980 depreciation expense employing the depreciation rates approved in Order No. 3437 on a straight line basis. As a result, the Commission has determined that the appropriate 1980 depreciation expense, for the purpose of determining an additional revenue requirement is \$46,757.

## 6.0 REVENUE REQUIREMENT

The calculation of an additional revenue requirement is based on a 1980 test year for the purposes of this application. The subject of test year and the Commission's findings with respect to this matter are presented in section 3.0 of this Order.

Table 2 presents the 1980 income statement reflecting the Applicant's submission and the Commission's adjustments. Table 3 presents the calculation of the additional revenue requirement and is based, in part, on certain adjustments made by the Commission as a result of their findings.

Section 61 of The Telephone Act (R.S.O. 1980, c.496) provides that "The Commission may from time to time inquire whether the rates and tolls charged for the service rendered by municipal telephone systems are sufficient to pay the cost of operation and maintenance of the system and the instalments of principal and interest on any outstanding debentures ...." Table 3 details each of these components in the calculation of the Applicant's additional revenue requirement.

**TABLE 2**  
**OTONABEE MUNICIPAL TELEPHONE SYSTEM**  
**Income Statement**  
**For the Test Year ended December 31, 1980**

	Exhibit 4	Commission Adjustments	Revised Income Statement
Revenue:			
1. Local Service	\$ 53,715		\$ 53,715
2. Long Distance Service	84,359	\$ 14,320	97,679
3. Miscellaneous Operating	48,031		48,031
4. Less: Uncollectible	(2,500)	(179)	(2,679)
5. Total Operating Revenue	\$183,605		\$196,746
Expenses:			
6. Maintenance	\$ 80,060		\$ 80,060
7. General Office	35,841		35,841
8. Depreciation	0	\$ 46,757	46,757
9. Interest other than debenture interest	13,779		13,779
10. Total Expenses Excluding Debenture Interest	\$129,680		\$176,437
11. Debenture Interest	44,555		44,555
12. Total Expenses	\$174,235		\$220,992
13. Net Income (Loss)	\$ 9,370		\$(24,246)



**TABLE 3**  
**OTONABEE MUNICIPAL TELEPHONE SYSTEM**  
**Statement of Additional Revenue Requirement**  
**For the Test Year ended December 31, 1980**

1.	Total expenses excluding debenture interest (Table 2 line 10)	\$176,437
2.	Payments of principal (Exhibit 4)	17,000
3.	Payments of interest expense on outstanding debentures (Table 2 line 11)	44,555
4.	<b>Revenue Requirement</b>	<b>\$237,992</b>
5.	Total operating revenue (Table 2 line 5)	196,746
6.	<b>Additional Revenue Requirement</b>	<b>\$ 41,246</b>

Table 3, above, calculates an additional revenue requirement of \$41,246 based on a 1980 test year. The Commission notes however, that the Applicant has applied for total additional annual revenues of approximately \$17,800. Although the revised rate structure proposed by the Applicant, and approved in section 10 of this Order, will not generate the additional revenue requirement calculated in Table 3, the Commission notes that the Applicant can expect to earn additional toll revenues which have not been considered in this Order. Effective October 1, 1981, toll rates increased for long distance calling between Ontario and Quebec, and there has been a 5% increase in the Applicant's toll retention as a result of a revised Alternate Appendix B signed by the Applicant and Bell Canada. Furthermore, the Applicant indicated to the Commission during the public hearing of October 22, 1981, that the recent upgrade program in the Keene exchange would result in an increase in local telephone service revenues in 1981.

## **7.0 CONSTRUCTION PROGRAM**

In Exhibit 4 of the application, the Applicant summarized the construction program for the years 1981 to 1985 inclusive. The Commission has noted that the program has appeared to be well thought out and will provide a better quality of service to the customers in the Keene exchange while remaining within the financial means of the telephone system.

During the public hearing of October 22, 1981, the Commission asked the Applicant a number of questions regarding the proposed construction program, particularly in regard to the upgrading program. The Applicant had approximately 389 multi-party customers at December 31, 1980. This is approximately 44% of the System's customers, a substantial reduction from 76% multi-party customers in 1975. The Commission notes that it is the Applicant's intention to upgrade all of its customers to a minimum of four party service by year-end 1985. However, Mr. Coit, witness for the Applicant, also indicated that the five-year construction program and budget is examined in detail on an annual basis and is revised accordingly. The Commission is pleased to learn that the Applicant is taking such

an organized and systematic approach to their construction program and encourages the Applicant to continue in this regard.

## 8.0 FINANCING

It was indicated to the Commission that the schedule for the construction program is dependent, to a great extent, on the financing available. The Commission was told that in July of 1980, after the Applicant received approval from its subscribers to issue debentures, the municipal council was requested to issue debentures for \$150,000 for use by the telephone system. Mr. MacKelvie, member of the Commission of the Otonabee Municipal Telephone System, informed the Commission that the municipal council denied the request. Mr. Nelson, Reeve of the Council, explained the reasons for the council's decision:

A year ago they were turned down on the debenture issue mainly — not because of the amount of money but because of the lack of income .....

..... I think in two years time they will want more money with capital debentures and their income would justify it and I can't see why council wouldn't agree with giving them more money, but the reason we had to turn it down a year ago was it didn't look like the income was coming in order to do that.

The Commission believes that prudent decisions regarding the issuance of debentures is of absolute importance for the successful operation of a telephone system. However, when the issuance of debentures is indicated, the Commission believes that the telephone system should receive the co-operation of all those necessary in order to successfully complete such a transaction. The Commission encourages the Applicant to review its financial requirements periodically and to request the municipal council to issue debentures when it is indicated that they are required. It is within the Ontario Telephone Service Commission's jurisdiction and responsibility to ensure that an efficiently operated municipal telephone system has sufficient revenues to service any outstanding debentures. Section 61 of The Telephone Act (R.S.O. 1980, c.496) states:

**The Commission** may from time to time inquire whether the rates and tolls charged for the service rendered by a municipal telephone system are sufficient to pay the cost of operation and maintenance of the system and the instalments of **principal and interest on any outstanding debentures**, of whether greater rates are charged than are sufficient for such purposes, and **the Commission may order such revision or adjustment of the rates or tolls as it deems proper**.....(emphasis added).

Furthermore, section 69(2) of The Telephone Act makes it clear that although the commissioners of the Otonabee Municipal Telephone System are responsible for the proper operation of the telephone system, the municipal council has a duty to ensure that the Applicant receives sufficient financing for the establishment and maintenance of the system.

The election of the commissioners does not affect the ownership of the system nor the authority **and duty of the initiating municipality** to provide from time to time all the monies required for the establishment and maintenance of the system and any extension thereof.....(emphasis added).

## 9.0 COMMENT

The Commission received only two written submissions and in light of the fact that the Notice of Application was mailed to about 880 customers, the Commission considers this to be a good indication that there is a high degree of satisfaction among the Applicant's customers. To a large extent, the quality of service is a result of the diligent planning by the commissioners of the Otonabee Municipal Telephone System and the effort and interest exhibited by the office and plant employees.

It is the Commission's opinion that success of the construction program over the last four years and the future construction program to 1985 results primarily because of the commitment of the commissioners. The Commission realizes that the planned construction program to upgrade all rural customer service to a minimum of four-party service is a large undertaking for a telephone system the size of the Applicant's. However, the Commission encourages the Applicant to continue to review the construction program and to be diligent in the completion of the program by 1985.

The satisfaction of the Applicant's customers is only due in part to the quality of service provided. The Commission was also very impressed with the communication between the telephone system and the customers. During the public hearing of October 22, 1981, Mr. J. MacKelvie, member of the commission of the Otonabee Municipal Telephone system related to the Commission how the Applicant had set up a booth during a craft day in Keene, which highlighted the fact that the Otonabee Municipal Telephone System was a system which actually belonged to the subscribers in the territory. A number of charts were displayed which demonstrated the growth and development of the system and an antique telephone was included in the booth for educational and historical information. Mr. MacKelvie, also explained to the Commission how members of the commission of the Otonabee Municipal Telephone System, personally visit customers on multi-party lines if they are having problems or if they are thought to be the cause of a problem. The Commission highly commends the commissioners for taking such an approach and believes that this is not only of great benefit to the customers but also to the telephone system.

## 10.0 RATE STRUCTURE

### 10.1 Basic Monthly Exchange Rates

	Business	Residential
1. On Individual Lines	15.00	7.10
2. On Two-Party Lines	12.00	5.60
3. On Multi-Party Lines	7.50	4.60
4. On Extensions (Excluding PBX)	2.75	1.95

## 10.2 Mileage Charges

### Monthly Charge for each Quarter Mile or Remaining Fraction

Individual Line	.85
Two-Party Line	.50

Extra exchange mileage charges for individual and two-party business and residence service will apply when these services are provided outside the Base Rate Area of the exchange but within the exchange area. The charges are based on the airline distance between the building in which the telephone or switchboard is located and the nearest point on the boundary of the Base Rate Area.

## 10.3 Supplementary Services and Equipment

		Residential and Business
1.	Jacks	0.45
2.	Extension Bell — Large	0.85
	— Small	0.60
3.	Styline/Contempra	2.10
4.	Hard of Hearing Handset	1.60
5.	Claxton Horns	2.85
6.	Answering Service	15.00
7.	Key Phone	2.65
8.	Rotary Hunting	2.55
9.	Extra Listing	0.55
10.	Unlisted Number	1.10



## 10.4 Non-recurring Service Charges

### I. ELEMENTS OF SERVICES AND CHARGES

SERVICE ELEMENTS	CHARGES	
	Business	Residence
A. Order Processing	9.00	5.00
B. Network Connection	13.00	9.00
C. Customer-premise Work	23.00	13.00

### II. SERVICE AND CHARGES

SERVICES	CHARGES	
	Business	Residence
1. Install new main telephone service (A+B+C)	45.00	27.00
2. Reinstall main telephone instrument in place (A+B)	22.00	14.00
3. Reconnect main service instrument not in place (A+B+C)	45.00	27.00
4. Reconnect main service with instrument in place (A+B)	22.00	14.00
5. Change telephone set (A+C)	32.00	18.00
6. Change class of service and number (A+B+C)	45.00	27.00
7. Install first extension not with main phone (A+C)	32.00	18.00
8. Install additional extension (A+C)	32.00	18.00
9. Install one extension with main telephone (at same time as main) (A)	9.00	5.00
10. Install bell chimes, keys and jacks (A+C)	32.00	18.00



ONTARIO TELEPHONE SERVICE COMMISSION

ORDER NO. 4125

Tuesday, the 16th day of February, A.D. 1982

BEFORE

V.W. Bielski, Q.C.	)	IN THE MATTER of sections 6(1),
Chairman	)	96(1) and 96(3) of The Telephone
	)	Act (R.S.O. 1980, c.496)
F.D. Wall	)	
Vice Chairman	)	and
	)	
E.A. Frith	)	IN THE MATTER of an application
Member	)	by Amtelecom Incorporated for
	)	approval of a Comparative
M.E. Parry	)	Requirements Test Supplement
Member	)	Agreement with Bell Canada
	)	
D. Austin	)	
Member, and	)	
	)	
G. Klosler	)	
Member	)	

## 1.0 ORDER

- 1.01 UPON THE APPLICATION of Amtelecom Incorporated hereinafter referred to as the Applicant, upon reading the said application and other material filed,
- 1.02 WHEREAS the Applicant's financial situation requires improvement,
- 1.03 AND WHEREAS the Applicant has applied to Bell Canada on or about March 1, 1981 for supplementary revenues based on a concept identified as the comparative requirements test, and supplementary to revenues provided under the existing commission and line haul agreement under the Alternate Appendix B plan,
- 1.04 AND WHEREAS the Applicant and Bell Canada have mutually agreed to the methodology as set out in Appendix A of the Comparative Requirements Test (CRT) Supplement Agreement, for the test period ending August 31, 1981,
- 1.05 AND WHEREAS the Applicant and Bell Canada have agreed to the amounts for the test period ending August 31, 1981,
- 1.06 AND WHEREAS the Applicant was to receive a one time credit of \$74,686 as agreed by the Applicant and Bell Canada on or about September 8, 1981,
- 1.08 THE COMMISSION HEREBY APPROVES under and in pursuance of sections 6(1) and 96(1) of The Telephone Act (R.S.O. 1980, c.496), the Comparative Requirements Test (CRT) Supplement Agreement, dated September 8, 1981.
- 1.09 WHEREAS the methodology as set out in Appendix A of the Comparative Requirements Test (CRT) Supplement Agreement is contrary to the methodology as set out in Commission Order Nos. 3931, 4017, and 4067,
- 1.10 THE COMMISSION DIRECTS under and in pursuance of sections 6(1), and 96(3) of The Telephone Act (R.S.O. 1980 c.496) that any and all future Comparative Requirements Test (CRT) Supplement Agreements be in accordance with Orders issued by the Commission.

## 2.0 REASONS

On September 9, 1981, Amtelecom Inc. submitted an application for approval of a Comparative Requirements Test (CRT) Supplement Agreement. The Applicant and Bell Canada mutually agreed to employ a methodology identified as the comparative requirements test to determine the appropriate amount of a supplement. In the Agreement, dated September 8, 1981, Bell Canada proposed to credit the Applicant in the amount of \$74,686 which was calculated with the methodology of the CRT as described in Appendix A of the Agreement. Also, the CRT Supplement Agreement specified that, Bell Canada may recalculate the CRT supplement within six months after the end of the test period that is, within six months after August 31, 1981. The appropriate party was to pay the difference between the \$74,686 and the recalculated CRT supplement. The CRT Supplement Agreement also specifies that it was conditional upon approval from the appropriate regulatory agencies.

The Commission has reviewed the terms and conditions of the CRT Supplement Agreement, as outlined above, and finds it acceptable for the purpose of the \$74,686 CRT



supplement and as a result the CRT Supplement Agreement has been approved in section 1.08 of this Order.

Notwithstanding the fact that the Agreement has been approved, the Commission has serious concerns. The methodology employed in Appendix A of the CRT Supplement Agreement is neither adequate nor acceptable for a toll settlement. As a matter of principle the Commission believes it is of the utmost importance that the inconsistencies and the contradiction between Appendix A to the Agreement and recent and relevant Commission Orders be illustrated in this Order. The methodology and the decisions of the Commission as documented in Commission Orders supercede any agreement made by the Applicant and this must be understood by the Applicant.

The specific areas where the Commission Orders are contradicted by the methodology employed in Appendix A of the CRT Supplement Agreement is examined in detail in this Order. It should be emphasized again that although the Commission has approved the CRT Supplement of \$74,686 the Commission does not condone or concede of the methodology used to calculate the \$74,686.

Before fully documenting the inadequacies and deficiencies of the methodology employed to calculate the CRT Supplement it is necessary to review the relevant Commission Orders and to review the development of the original Comparative Requirements Test which led to the application made by Amtelecom Inc. for approval of this CRT Supplement Agreement. The Comparative Requirement Test (CRT) originated as a result of an application filed by the City of Prince Rupert, in December 1976 to the Canadian Radio-television and Telecommunications Commission (CRTC). The CRTC was asked to consider a dispute between B.C. Telephone and the City of Prince Rupert regarding the separation of gross toll revenue. As a result, the CRTC appointed a Committee of Inquiry, which was charged with the responsibility to investigate the issues on an informal basis and attempt to complete a report and recommendations. The Committee found it necessary to begin the examination by reassessing first principles and developing an alternative approach to traffic settlements. This necessary work resulted in the Committee of Inquiry's final report in December, 1978.

In March, 1979 the CRTC issued Telecom Public Notice 1979-11 which invited comments on the Report of the Committee of Inquiry into the City of Prince Rupert, Connecting Agreement with B.C. Telephone Company dated December 27, 1978 (Prince Rupert Report). A number of interested parties responded by filing written comments and after all submissions had been received the CRTC issued Telecom Decision CRTC 79-21. It was concluded that:

.....the Commission is prepared to accept the committee's recommended approach to the determination of an appropriate commission rate for the City in the present case, including the use of the comparative requirements test formulated by the committee. While the Commission recognizes that the cost and other difficulties associated with the test, many of which were noted by the intervenors, may raise certain questions about its general applicability, the Commission considers that in the present case the test was properly applied and that the committee exercised its judgement reasonably with respect to the City's construction program, quality of service and accounting procedures.

Simultaneous to the City of Prince Rupert Application, the ensuing work by the Committee of Inquiry and the CRTC decision, two rate applications were submitted by Amtelecom Inc., and its wholly owned subsidiary, the Taylor Telephone Company Limited. The rate application filed by the Taylor Telephone Company Limited in May 1978 indicated that a "financial emergency" existed. As a result, the Commission approved an interim rate increase in Order No. 3732. When the financial analysis of the rate application had been completed and the Commission had provided the opportunity for a public hearing, Order No. 3787 was issued in December 1978. Although an increase in local rates was approved, the Commission expressed serious concern over the fact that local service rates are the major source for additional revenues required by stating that:

Although the Commission recognizes the differences in geographic conditions, distribution of subscribers, and the number of subscribers served, necessarily result in a higher cost of providing service in certain areas, the Commission is concerned with the rapidly growing variance between rates for similar service. The question that requires consideration, not only by the Commission, but also by the telephone systems providing service in the Province, is to what extent can this variance be allowed to grow.

The Commission, at this time, wishes to suggest that the telephone systems give this question serious consideration. The Commission is also convinced that, with the expertise and practical experience which exists in the telephone industry, a **viable solution to this dilemma can be found.** (emphasis added)

A "viable solution" was of particular importance to the Taylor Telephone Company Limited since there was a large additional revenue requirement over and above that which was generated by the local service rate increase.

The Commission's concern was heightened upon receiving a rate application from Amtelecom Inc. in October 1979. Although the Applicant did not request an interim rate increase, the Commission recognized an immediate and critical financial requirement, and in Order No. 3931 approved an interim rate increase. However, the problems encountered in the Taylor Telephone Company Limited rate application were raised again in the Amtelecom Inc. rate application.

In Order No. 3931, the Commission observed that:

The Commission in reviewing the application, as filed, was particularly struck by the fact that the Applicant was seeking only \$195,300 from an increase in local revenues out of a total calculated (additional) revenue requirement of \$546,805.

It is clear to the Commission ..... that the Applicant ..... is making a conscientious attempt to ensure that not only are the local exchange rates just and reasonable given the cost of providing service, but are comparable for similar service being provided by other telephone systems in the Province.

Having said this, the Commission cannot ignore the fact that the revenues that will be generated by the increased local exchange rates, herein approved, will fall substantially short of the revenue requirement of the Applicant.

The dilemma is aggravated by the fact that the toll revenue settlement of most of the independent telephone systems in Ontario is based upon the Alternate Appendix "B" schedule. The Alternate Appendix "B" schedule is an inadequate method of dividing gross toll revenues between the independent telephone systems and Bell Canada. A more apt settlement would be one which is based upon the costs of providing toll service. This position was expressed in Order No. 3931.

The Commission is in full agreement with the conclusion of the CRTC that the development of a uniform Canadian cost separation methodology and a uniform system of accounts is appropriate for inter-company settlements and that the implementation of a cost-based approach requires the development of an appropriate methodology to allocate telephone plant investment and expenses between local and long distance uses.

The Commission recognized that "such a cost-based methodology to inter-company settlements is not possible within the foreseeable future". Nevertheless, the financial situation of Amtelecom Inc. as well as other independent telephone systems operating in Ontario required an immediate review of the toll settlement procedures:

Although the present situation of the Applicant is not parallel to that of the City of Prince Rupert, the Commission is of the opinion that the issues identified in that case must now be addressed in respect to the procedures by which the independent telephone companies in Ontario share revenues generated through the exchange of long distance calls between their telephone subscribers and those of Bell Canada. (sic)

The work completed by the Committee of Inquiry provided a reasonable and expedient approach to the problem of the appropriate division of toll revenues and in the opinion of the Commission is the best approach available until such time as a cost based methodology can be developed and implemented.

The Commission is of the opinion that this [the Committee of Inquiry's six "fundamental principles"] could be an appropriate starting point for a positive review of the present traffic agreement.

Should such an approach be considered, the Commission is confident of an early resolution of some of the issues with respect to the procedures by which telephone companies share toll revenues in the Province of Ontario, and the Commission will expect to receive an agreement for approval from the Applicant which reflects such resolution.

It is important to note here that a cost based methodology for the division of toll revenues is still anticipated by the Commission, and that the uniform system of accounts developed by the Commission will aid in the development of a cost based toll settlement methodology. However, the Commission is concerned that the development of a cost based methodology not only results in a fair division of gross toll revenues but that any settlement plan not be too cumbersome or expensive for the independent telephone systems to implement. While the development of a cost based methodology which is both fair and relatively simple to administer is not an easy task, the Commission believes that it is a reasonable objective and one which can be achieved by all parties concerned.



Order No. 4017 was issued on December 17, 1980 which approved a final increase in local rates for the Applicant. The Commission observed that even after the additional revenues had been taken into account, there was still an additional revenue requirement of approximately \$359,400. The Commission concluded by stating:

Given the current financial position of the company, it is imperative that the matter of the additional revenue requirement be addressed by the Applicant.

The Commission received a letter from the Applicant dated February 2, 1981, informing the Commission of its intention to apply under section 96(2) of The Telephone Act to have the terms and conditions of the Traffic Agreement set by the Commission unless a new settlement could be negotiated with Bell Canada by April 20, 1981.

The Applicant also notified Bell Canada that it was its intention to withhold revenues from Bell Canada to make up the additional revenue requirement identified by the Commission in Order No 4017, unless a new traffic settlement could be negotiated by April 20, 1981.

On April 9, 1981, the Applicant informed the Commission in writing that much progress had been made. On July 21, 1981 the Applicant submitted a copy of Bell Canada's calculation of the CRT Supplement to the Commission. The submission was not a formal agreement but only a document for discussion purposes between the Applicant and Bell Canada. Bell Canada proposed to credit the Applicant \$74,686, an amount which represented the Applicant's required supplement for the period of March 1, 1981 to August 31, 1981, as calculated by both parties. The two parties formalized the agreement on September 8, 1981, and shortly thereafter the Commission received the signed Agreement for approval pursuant to section 96(1) of The Telephone Act.

The Commission is primarily concerned because the approach used in the CRT Supplement Agreement is in direct contradiction of existing Commission decisions on similar or identical issues. It should be emphasized at the outset, that pursuant to The Telephone Act, section 12, "The Commission may from time to time inquire whether the rates and tolls charged for the service rendered by a telephone system ..... are sufficient to pay the funded debt and interest accruing thereon and the cost of operation and maintenance and a reasonable return on capital investment ....." It should also be noted that Order No. 4067 in respect to the Applicant's rate application was issued in August of 1981 whereas the application for approval of the CRT Supplement Agreement was not received until September, 1981.

Order No. 4067 was issued as a result of a rate application filed by Amtelecom Inc. in March, 1981. In dealing with the rate application the Commission examined the calculation of the rate base, working capital, rate of return, acquisition adjustment and the cost of equity. These are the same areas which were examined for the calculation of the CRT Supplement. Even though there was sufficient time for the Applicant to review Order No. 4067 before submitting the proposed Agreement for approval, the adjustments made to calculate the CRT Supplement are clearly inconsistent with the calculation made in the Order. Any attempt to circumvent any decision made pursuant to The Telephone Act or the Commission's jurisdiction under The Telephone Act cannot be accepted.

The Comparative Requirements Test (CRT) was designed and set out in the Prince Rupert Report. The CRT, as described in the Prince Rupert Report, was based on the concept outlined on page 66:



Assume the local connecting company and its subscribers were transformed into a similarly situated community within the toll company's operating area. Then the local company should obtain a level of compensation from the toll company which will ensure that its subscribers are treated substantially the same as those in the similarly situated community in the toll company's territory.

In contrast to the CRT described in the Prince Rupert Report, a different approach is described on Appendix A, page 1 of the Applicant's application:

.....the first eight steps determine a CRT-based supplement which if paid to the independent would enable it to achieve a "comparable" return not to exceed either Bell's achieved return level for the test year or the independent's allowed return level. Performing each of these steps requires using either Bell data or suitably adjusted independent-provided data.

Clearly, the Commission is concerned that the approach employed by the Applicant and Bell Canada to calculate the CRT Supplement agreement is inconsistent with the concept annunciated in the Prince Rupert Report.

Allowing a maximum rate of return equal only to Bell's achieved rate of return would very likely result in customers of the connecting company being treated less favourably than the customers of Bell Canada in a similarly situated community. In this specific application the cost of debt and equity capital for the Applicant is significantly greater than the cost of debt and equity capital for Bell Canada. If the Bell Canada achieved rate of return was employed, the additional revenue requirement or the CRT Supplement would be understated. As a result, local rates would need to be increased in order to generate the shortfall, and therefore customers of the Applicant would not be treated substantially the same as customers of Bell Canada in a similarly situated community.

The Prince Rupert Report specifies that:

The next step in applying this test is to ascertain the rate of return of the connecting company .....

If the rate of return is reasonable and comparable, **considering differences in financial and business risk**, to the return on investment that the major company would expect to receive, then the toll retention rate will not require further adjustment. If on the other hand the rate of return is unreasonable, the retention rate should be adjusted so as to produce a reasonable result. (emphasis added)

"Considering differences in financial and business risk", the Commission does not accept that the achieved Bell Canada rate of return on equity of 12.25 percent is reasonable for the Applicant. In the Commission's view, a 12.25 percent rate of return on equity is not acceptable because it does not adequately compensate the Applicant for the risks brought about by the size of the Applicant, its operating territory, the number of customers which it serves, or the nature of the services which the Applicant's customers demand. In other words, the business risk of Amtelecom has not been considered in the calculation of the CRT Supplement. Similarly, the financial risk of Amtelecom is greater than that of Bell Canada because of the capital structure, interest coverage, and the type of debt held unique to the Applicant. The use of the Bell Canada achieved rate of return can in no sense be considered to be "reasonable and comparable" as used in the Prince Rupert Report. The Commission addressed this specific question of an appropriate rate of return in the context of the Applicant's rate

application submitted in March, 1981. In Order No. 4067 issued August 27, 1981, it was stated that, "The Commission is of the view that a range of return on equity of 14 to 16 percent is reasonable and therefore has accepted the Applicant's proposed cost of equity of 15 percent for the purpose of determining a revenue requirement". The Commission will not concede that the rate of return employed in the CRT Supplement is appropriate in light of the range previously determined by the Commission in Order No. 4067.

As noted earlier, Appendix A, page 1 of the Agreement states that the calculation of the CRT Supplement "requires using either Bell data or suitably adjusted independent-provided data. In the proposed CRT Supplement this meant five major adjustments to the Applicant's rate base including:

- 1) removing the digital switch in Aylmer and including the costs of extending the step by step switch;
- 2) removing the step switch in Cambray and substituting digital;
- 3) expensing estimated digital application software costs which the Applicant had capitalized;
- 4) adjusting for average net asset values where the Applicant uses year end figures, and;
- 5) reducing purchase acquisition adjustments to reflect Bell's shorter write-off period of five years compared to the Applicant's twenty.

In addition to the five adjustments to the rate base, Bell Canada made four adjustments to the Applicant's expenses which included:

- 1) increased purchase acquisition amortization expense;
- 2) a reduction in depreciation expense related to the net plant reduction;
- 3) an increase in operating costs arising in the current year, and;
- 4) increasing maintenance expense to recognize the differences between step and digital maintenance rates.

The Commission notes that in the application of the CRT in the Prince Rupert Report the Committee did attempt to "compare the financial needs of Prince Rupert with the equivalent needs of a similarly situated exchange in the B.C. Telephone area and identify what toll compensation would be necessary to meet the requirements". However, the Committee did not attempt to adjust the financial data so as to conform it to the B.C. Telephone accounting and construction practices. Appendix A, page 2 of the Agreement presents a very different approach in relation to the Applicant:

In Amtelecom's case, adjustments were made to its asset base, expenses, and local and other revenues to reflect those items as they would exist in a "similarly situated Bell community".

Clearly, this was not the intent of the CRT in the Prince Rupert Report. In fact, the Report specifies that:

Where the rate base and construction program of the connecting company have been reviewed and approved by the provincial regulatory agency, this should in the committee's view be given substantial weight.

The Commission is extremely concerned to find that this directive has not been accepted. In the context of the general rate application submitted by the Applicant in March, 1981 and in the context of prior rate applications submitted to the Commission, each of the five rate base issues and the four expense issues identified above, have been addressed by the Commission. Out of the total nine adjustments, only one adjustment, (employing an average rate base instead of a year end rate base) is consistent with the Commission's adjustments. The discrepancies are further emphasized by the fact that all of the Commission's findings in regards to these issues are fully documented in Order Nos. 3931, 4017 and 4067 issued by the Commission.

Regarding the calculation of working capital, the Applicant had employed the modified FPC method for the purposes of determining an additional revenue requirement. The Commission had evaluated this approach to calculating working capital and in Order No. 4067, dated August 27, 1981 made the following decision:

The modified Federal Power Commission method provides a better indication of the amount of working capital that is actually required by the company and to that extent is more equitable to the Applicant and subscribers alike. Furthermore, working capital of \$49,504 is a relatively small component of the total rate base and therefore does not have as substantial an impact on the total additional revenue requirement than might otherwise be assumed. For these reasons the Commission has elected to employ the working capital as calculated by the Applicant.

Therefore, in regards to the calculation of working capital, the Commission does not accept the approach used to calculate the CRT Supplement.

The rate base was also adjusted for the Applicant's acquisition adjustment which occurred as a result of the purchase of the Taylor Telephone Company Limited and the Cambray Telephone Company Limited. On Appendix A, page 2, of the Agreement the reasoning is as follows, the adjustment is "to reflect Bell's shorter write-off period of five years compared to Amtelecom's twenty".

In the context of a general rate application submitted by the Applicant, the Commission also examined the appropriateness of the acquisition adjustment in the rate base and came to a decision not compatible with the approach used in the CRT application. In Order No. 4017 dated December 17, 1980 the Commission **excluded** the acquisition adjustment from the rate base:

.....the Applicant did not provide evidence indicating that there was a significant reduction in operating expenses for the telephone service provided to the customers in the telephone exchanges purchased. The Commission also would have considered the inclusion of the acquisition adjustment in the rate base had it been demonstrated that the quality of telephone service increased as a direct result of the purchase, however, no evidence was offered in this regard.

If the full acquisition cost is included in the rate base and the excess is amortized over a long period of time, the subscribers of the service will be required to pay rates higher than necessary.



The complete rationale regarding the amortization adjustment was covered in section 6.4 of Order No. 4017, however the quote above is ample demonstration that the issue is not one of the length of the amortization period but is whether or not the acquisition adjustment should be included in the rate base. The Commission wishes to emphasize again that the Commission decided "to exclude the acquisition adjustment from the rate base".

Exclusion of the acquisition adjustment from the rate base also requires that the amortization of the acquisition adjustment be disallowed as an expense. This matter was also dealt with in detail in section 5.3 of Order No. 4017. The CRT adjustment of \$29,668 for the amortization of goodwill is clearly inconsistent with the Commission's approach outlined above.

The CRT calculation also included a number of adjustments to plant in service. The Applicant's exchanges were examined in the light of Bell Canada policy and hypothetical adjustments were made to the Applicant's exchanges to bring them into conformance with what the plant in service would have been had the exchanges been operated by Bell Canada. Specifically, the Aylmer exchanges currently have digital central office equipment whereas Bell Canada would have extended step by step equipment, and the Cambray exchange which has been equipped with step by step equipment by the Applicant would have had digital equipment if operated by Bell Canada. These changes resulted in substantial adjustments to the rate base, depreciation expense and maintenance expense.

In Order No. 4017 dated December 17, 1980 the Commission examined the Applicant's construction program in detail and although the Commission expressed certain reservations in regards to the construction program it was accepted for regulatory purposes. Although the Commission has quoted several sections from the Prince Rupert Report in this Order, a statement from page 67 of the report bears repeating here:

"Where the rate base and construction program of the connecting company have been reviewed and approved by the provincial regulatory agency, this should in the committee's view be given substantial weight."

In the case of the Applicant, the construction program has been reviewed and accepted by the Commission. However, the Commission is extremely concerned that this fact was given little or no weight in the calculation of the CRT Supplement.

Finally the Commission wishes to comment on the expense adjustment of \$101,000 whereby, application software was taken out of the rate base and expensed in the 1981 test year for the calculation of the CRT Supplement. No specific reasoning was provided for expensing software other than this is a Bell Canada policy. To date, expensing software is not an accounting treatment which has been accepted by the Ontario Telephone Service Commission. In fact, had the Applicant attempted to expense software and been unable to justify such a procedure, the Commission would have made an appropriate adjustment to have it capitalized. The Commission's approach to software was well documented in Order No. 3949 dated June 27, 1980:

The evidence presented by the Applicant [Northern Telephone Limited] during the hearing was such that it is impossible to determine whether the application software will last as long as the basic software and the hardware, or whether it will have a relatively short life span. Nor is there any way of determining the amount of the initial application software that will change and how frequently such changes will be necessary and on what basis. Nor can the Commission determine the nature of the subsequent application software for the same reasons.



Until such time as the Applicant can provide sufficient data to support its position put forward in this application respecting the accounting treatment of application software, the Commission requires the Company to capitalize application software on the same basis as its other assets for the purpose of determining the revenue requirement.

The Commission also notes that the Canadian Radio-television and Telecommunications Commission has taken an identical approach in respect to Bell Canada. In Telecom Decision 81-15, Section IV, subsection 2, it was stated that:

The Commission does not accept Bell's method of expensing initial application software costs for switching machines and directs that, effective January 1, 1982, these costs be capitalized and depreciated over the service life of the switch itself.

With such clear direction provided, the Commission finds it incomprehensible that the Applicant and Bell Canada would undertake the calculation of a CRT Supplement based on accounting treatments and policies which have been stated to be unacceptable.

### 3.0 SUMMARY

The Commission has approved the Comparative Requirements Test (CRT) Supplement Agreement in section 1.08 of this Order. This amounts to a credit to the Applicant in the amount of \$74,686. Although the Commission does not agree with the methodology employed to calculate the CRT Supplement, the Commission will concede, for the purposes of this application, not to require any changes in the methodology or the calculation in recognition of the fact that the payment was for a period which ended August 31, 1981. However, in all future CRT Supplement agreements the Commission will expect that any adjustments required to calculate the CRT Supplement will be in accordance with Commission Orders on similar issues. The Commission also strongly recommends that any and all future CRT Supplement calculations follow the methodology as outlined in the Prince Rupert Report. In Section 1.10 of this Order the Commission has ordered that these conditions be prerequisites for any future approval of a CRT Supplement application.

Chairman



ORDER NO. 4133  
Wednesday, the 31st day of March, A.D. 1982

BEFORE

F.D. Wall,	)	IN THE MATTER of sections 6(1), 12
Vice Chairman,	)	and 105 of The Telephone Act
	)	(R.S.O. 1980, c.496)
D.A. Austin,	)	
Member, and	)	and
	)	
G. Klosler,	)	IN THE MATTER of an application by
Member.	)	The Manitoulin Island Telephone
	)	Company Limited for approval of a
	)	change in rates for local telephone service.

HEARD AT: West Bay, Manitoulin Island, November 18, 1981.  
Toronto, January 26, 1982.

APPEARANCES

For the Applicant:

The Manitoulin Island	Mr. R. Barnard, President
Telephone Company Limited:	Mr. W. Berko, Controller
	Mr. J. Patrick, Local Manager
	Mr. E. Latimer, General Plant Manager

For Themselves:

Mr. J. Collins	Mrs. Morrow
Mr. J. Greenway	Mrs. A. Orford
Mr. T. Hobson	Mr. R. Scott
Mrs. R. Hobson	Mr. R. Shepherd
Mrs. M. McIntyre	Mrs. B. Slivinsky
Mr. Jansen	Mrs. D. Stapleton
Mrs. J. Jull	Mrs. White
Mr. J. Lockyer	Mrs. L. Zelowitz

## 1.0 ORDER

- 1.1 UPON THE APPLICATION of The Manitoulin Island Telephone Company Limited, hereinafter referred to as the Applicant, upon reading the application and other material filed and upon evidence presented during the hearing,
- 1.2 THE COMMISSION AUTHORIZES under and in pursuance of sections 6(1), 12 and 105 of The Telephone Act (R.S.O. 1980, c.496) the Applicant to increase local service rates to generate additional annual revenues of approximately \$45,000 based upon the number of local service revenue producing units as of August 31, 1981.
- 1.3 THE COMMISSION HEREBY ORDERS under and in pursuance of sections 6(1), 12 and 105 of The Telephone Act (R.S.O. 1980, C.496) that the local service rates non-recurring service charges in accordance with Section 11.0 of this Order to become effective on or after April 1, 1982.

## 2.0 BACKGROUND

The Applicant filed an application on June 22, 1981 for approval to increase the local telephone rates and non-recurring service charges on June 22, 1981. It was estimated by the Applicant that the increase would result in additional annual revenues of approximately \$45,000 and would require an average rate increase of approximately 23.7 percent.

On July 1, 1981, the Applicant mailed a Notice of Application to each customer which set out the present and proposed rates. Written interventions were to be filed with the commission on or before July 31, 1981. A Commission hearing was held at West Bay on Manitoulin Island on November 18, 1981 to provide an opportunity for the Applicant's customers to make oral submissions to the Commission. On January 26, 1982, the hearing into the financial aspects of the rate application was held in the Commission's offices. During the financial hearing, the Applicant was directed to file a number of replies to questions which the Applicant could not answer during the hearing. The Commission's findings with respect to the financial aspects of the application are contained in sections 3.0 to 10.0 of this Order

## 3.0 TEST YEAR

The use of a test year for a revenue requirement calculation permits the Commission and the Applicant to focus on a set of financial data for a particular operating period adjusted to annualize known changes which have occurred or which are expected to occur within the operating period. Factors which influence revenues and expenses within the test year should be annualized because a full year effect of any changes will be realized in future periods.

The Applicant proposed the use of the 1982 fiscal year, which covers a period from September 1, 1981 to August 31, 1982 as the test year. Since no actual data for any of the months in the 1982 test year was available at the time the application was filed, the entire twelve month period was estimated. The issue of an appropriate test year for the purpose of determining an additional revenue requirement was crucial in the Commission's deliberations. The Commission is cognizant of the advantages and disadvantages associated with using either an historic or a future test year. Although the Commission generally prefers



the use of a current or future test year rather than an historic test year, the Commission must be convinced that the benefits outweigh the risks of using any test year period for which estimates are required.

The risk associated with the use of a future test year is primarily related to the uncertainties of forecasts and the possibility that the additional revenue approved may not reflect the actual additional revenue required. Furthermore, the Commission is concerned that the telephone subscriber not be penalized by unreasonably high rates brought about by inaccurate forecasts by the Applicant. Therefore, the Commission must be convinced that the Applicant has the ability to make reasonably accurate estimates for future periods thus reducing the risk.

Based on the Commission's review of past estimates and the large variances from actual results, and the technique employed by the Applicant to forecast revenues, the Commission is convinced that the risks in employing a 1982 test year outweigh the benefits.

The Commission examined the Applicant's forecast of the 1982 rate base including the 1982 construction program. Although the Commission found the program to be very ambitious and expensive, the Commission realizes that a large construction program is required in order to provide the quality and grade of service demanded in Manitoulin Island. Findings regarding the construction program are provided in Section 9.0 of this Order. However, during the financial hearing of January 26, 1982, the Applicant informed the Commission that TRW Vidar, was ceasing to manufacture digital switches similar to the equipment which had been planned for installation in Manitoulin exchanges. Without a construction schedule and without the details of the financing of the construction program, the Commission finds it extremely difficult to make a reasonable estimate of a 1982 rate base.

During the financial hearing and during the interrogatory process, a number of questions were asked of the Applicant regarding the forecasts of 1982 toll revenues. Contrary to the Commission's recommendation to Amtelecom Inc. in Order No. 4067 that "the Applicant seriously review its forecasting techniques and revise them where appropriate for any future rate application" the forecasting techniques were not revised. The 1982 toll revenue was forecasted based on historic growth in toll revenues without explicitly accounting for such changes as increases in toll rates, revised commission payments, growth in toll messages or the upgrade program. For example, Exhibit 2, page 13 forecasted the growth in 1981 toll revenues based on 8 month actuals and yet the annualized error of the estimated increase in toll revenues was approximately 40 percent. In other words, had the Applicant underestimated toll revenues for a 12 month period by the same magnitude as the 4 months forecasted the estimate of the increase in toll revenue would have been 40 percent lower than the actual increase in toll revenue.

Finally, the Commission found good reason for the use of an actual 1981 test year in light of the high proportion of debt which incurs a floating rate of interest. While this creates other significant problems for the Applicant, it also effectively reduces the Commission's ability to make a reasonable determination of the Applicant's cost of debt for a future test year. With debt rapidly increasing in proportion to total invested capital a reliable estimate of the embedded cost of debt is of critical importance. However, the Commission is not prepared to estimate interest rates nor is the Applicant able to accurately forecast interest rates to August 31, 1982.

Reasonably accurate projections of future operating results enable the Commission to determine a revenue requirement which more closely corresponds to the telephone system's financial requirements in the future period. When projections are proven to be unreliable the Applicant may not earn a sufficient rate of return, or conversely the subscribers may be penalized by the setting of rates in excess of what is necessary. For the purpose of determining an additional revenue requirement the Commission finds the forecasts unreliable and therefore will employ the historic 1981 test year.

## **4.0 REVENUES**

### **4.1 Local Service Revenues**

For the purpose of determining an additional revenue requirement the Commission will accept the local service revenues of \$183,030 as reported in the audited financial statements for the year end August 31, 1981.

### **4.2 Toll Service Revenues**

In reply to interrogatory OTSCO7AUG81-106, the Applicant indicated that as of June 21, 1981 there was a 5 percent increase in toll commissions as a result of revisions to the Traffic Agreement. The commission schedule formerly known as the Alternate Appendix B has been revised from a schedule format into a formula and is now identified as Appendix 2, Section 2.2 to the Traffic Agreement. The Commission approved the Applicant's revised Traffic Agreement in Order No. 4112 dated February 26, 1982. The actual increase in toll commissions is 5.4 percent which is greater than the 5 percent reported by the Applicant. Based on the toll service revenue information filed, the Commission has adjusted toll service revenues by \$13,280 to reflect the actual revision to toll commissions and to account for a 12 month effect of the toll increase.

Effective on or about September 1, 1980, Bell Canada increased toll rates between toll centers in Ontario and Quebec. As a result of the toll rate increase, the Applicant's toll revenue increased proportionately. However, since the effective date of the toll rate increase coincides with the first day of the Applicant's test year no annualizing adjustment is required. Effective October 1, 1981, there was a further increase in toll rates between toll centers in Ontario and Quebec. However, since the revised rates became effective after the end of the 1981 test year no adjustment to toll revenues is required for the purpose of determining an additional revenue requirement.

## **5.0 EXPENSES**

The Commission has examined expenses estimated for the 1981 test year and finds them acceptable for the purpose of determining an additional revenue requirement with the exceptions noted in sections 5.1 and 5.2 below. The Commission notes that the Applicant incurred increases in expenses before depreciation, taxes and interest charges of only 8.8 percent in 1981 and estimates an increase of 10.2 percent in 1982. It is hoped that the Applicant will continue to attempt to keep expenses at a reasonable level and that expenses not rise above the level forecasted.

## 5.1 Uncollectible Revenue

Based on the adjustment to 1981 toll revenue in Section 4.2 of this Order, the Commission has increased the allowance for uncollectible revenue expense by \$238 which is approximately 1.8 percent of the toll service revenue adjustment. This is consistent with the proportion of uncollectible revenue to total operating revenue estimated for the 1981 test year.

## 5.2 Taxes

### 5.2.1 Gross Receipts Taxes

The adjustment to toll revenue as explained in Section 4.2 also requires a compensating adjustment to gross receipts taxes. Therefore, the Commission has made an allowance of \$664 which is approximately 5 percent of the revenue adjustment.

### 5.2.2 Income Taxes

The Manitoulin Island Telephone Company has not been required to pay income taxes since 1977.

During the financial hearing of January 26, 1982, the Applicant was asked certain questions regarding the income tax rate and certain loss carry forwards. Mr. Berko, witness for the Applicant, was unable to provide answers to all the questions. However, replies were filed with the Commission on February 25, 1982. It was indicated that as of August 31, 1981, the Applicant had an accumulated income tax credit of \$57,000 which could be applied in future periods.

Furthermore, the Applicant also estimated that no income taxes would be paid in 1982 at current rate levels due to expected losses in the test year. Despite this however, in reply to interrogatory OTSCO7AUG81-502, the Applicant included an amount of \$24,653 for additional taxes in the additional revenue requirement calculation. This assumes a 50 percent tax rate on the total additional revenues required.

The Commission does not believe that this is appropriate. During the analysis of a rate application, the Commission considers, in great detail, the costs which are appropriate in the determination of a revenue requirement. The Commission provided the Applicant ample opportunity to explain the calculation of income taxes during the financial hearing and as a reply to interrogatory OTSCO7AUG81-205. Unfortunately, the Applicant did not provide a full explanation of the additional taxes included in the additional revenue requirement calculation. Only those costs which are actually incurred and can be explained or substantiated by the Applicant will be allowed for the purposes of rate making. As a result, the Commission has not included any amount for additional income taxes in the additional revenue requirement calculation in Section 8.0 of this Order. In any future rate applications, the Commission may require the Applicant to report income taxes on the tax allocation basis and on the taxes payable basis, and to justify to the Commission why taxes as presented should be accepted for rate making.



## 6.0 RATE BASE

For the purpose of determining an additional revenue requirement in this rate application, the Commission has decided to use the 1981 year end invested capital as the rate base. It should be made clear however that as circumstances change, the Commission will review the method of calculating the rate base in future rate applications to ensure that the most appropriate rate base is employed. The components of the rate base can be found in Table 1.

TABLE 1

### THE MANITOULIN ISLAND TELEPHONE COMPANY LIMITED

#### Invested Capital Rate Base As at August 31, 1981

	Amount
Debt	\$ 801,222
Equity	600,003
Total	\$1,401,225

## 7.0 RATE OF RETURN

The appropriate rate of return on total capital is the weighted average of the cost of equity and the cost of debt associated with the 1981 test year. For the purpose of determining an additional revenue requirement, the Commission has decided to employ the total cost of capital for Amtelecom consolidated. The Manitoulin Island Telephone Company is a wholly-owned subsidiary of Amtelecom Inc. and as such the cost of capital to the Applicant is dependent upon the capital structure and the finance program of the parent. For instance, the Applicant is contingently liable as a guarantor of the parent Company's borrowings to the extent of \$5,000,000. Furthermore, the Applicant is heavily dependent on the parent company for debt capital. By year end 1980, 63 percent of the Applicant's total long term debt was obtained from the parent company. Therefore, in the Commission's opinion it would not be meaningful to attempt to calculate the cost of debt capital or the cost of equity capital for the Applicant exclusively. The use of the total cost of capital of Amtelecom consolidated will better reflect the actual financial risks faced by the Applicant.

### 7.1 Cost of Debt Capital

The Commission has commented on the capital structure of Amtelecom Inc. in Order Nos. 4017 dated December 17, 1980 and 4067 dated August 27, 1981. It is sufficient to note only two points here, firstly of total capital approximately 83 percent or \$7,857,273 is debt and secondly of this debt approximately 87 percent is charged at a floating rate of interest. In recent periods, therefore, it has been difficult to calculate the cost of debt capital. In Order No. 4078, the Commission "decided



to employ the average prime interest rate over the last ten months of the Applicant's test year in order to determine the cost of debt capital." The Commission has decided to adopt this approach again for the purpose of determining an additional revenue requirement for the Applicant. In this application however, the Commission has been provided with the actual debt capital amounts as at August 31, 1981. Based on this information, the Commission will employ a cost of debt capital of 17.5 percent which has been calculated from the weighted average of prime interest rates over the period from November 1, 1980 to August 31, 1981. The Commission believes that the last 10 months of the test year provide a better indication of the level of interest rates which the Applicant will incur. In other words, the interest rate levels of September and October cannot reasonably be expected to return and therefore the 10 month average of interest rates is more appropriate for rate making purposes.

## 7.2 Cost of Equity Capital

The Applicant has proposed a cost of equity of 15 percent, a rate which was also proposed for Amtelecom Inc. The Applicant expressed the view that a 15 percent rate of return on equity was thought to be appropriate. Although the Commission believes that current economic conditions and the financial risk of Amtelecom Inc. indicate that the Applicant should review a 15 percent rate of return on equity, the Commission will nevertheless employ a range of return on equity of 14 to 16 percent and will use the midpoint of 15 percent for the purpose of determining an additional revenue requirement.

## 7.3 Allowed Range of Return on Total Capital

The allowed rate of return for revenue requirement purposes is set equal to Amtelecom Inc.'s overall cost of capital. This is determined using the Applicant's capital structure weights as at August 31, 1981, the embedded cost of debt and the allowed range of return on equity.

In Table 2, the calculation of the overall cost of capital is presented. The revenue requirement is based on an allowed rate of return range from 16.9 to 17.3 percent for this application, with the midpoint of 17.1 percent employed for the purpose of calculating the Applicant's revenue requirement.

TABLE 2  
Calculation of the Overall Cost of Capital  
1981 Test Year

	Amount	Weight	Cost	Weighted Cost
1. Total Debt	\$7,805,120	82.7	17.5	14.5
2. Common Equity	\$1,637,698	17.3	14.00—16.00	2.4—2.8
3. Total	\$9,442,818	100.00		16.9—17.3

## 8.0 REVENUE REQUIREMENT

The revenue requirement for the purpose of this application is based on a 1981 test year ending August 31, 1981. The subject of test year and the Commission's findings with respect to this matter are presented in Section 3.0 of this Order.

Table 3 presents a 1981 income statement reflecting the Applicant's submission, the Commission adjustments and Table 4 provides the calculation of the Applicant's additional revenue requirement.

**TABLE 3**  
**MANITOULIN ISLAND TELEPHONE COMPANY LIMITED**  
**Income Statement**  
**1982 Test Year**

Revenues:	Exhibit 4	Commission Adjustments	Revised Income Statement
1. Local Service	\$183,030		\$183,030
2. Toll Service	279,173	\$13,280	292,453
3. Miscellaneous Service	18,550		18,550
4. Total Operating Revenues	\$480,753		\$494,033
Expenses:			
5. Depreciation	\$ 76,120		\$ 76,120
6. Plant and System	141,586		141,586
7. General and Administrative	82,556	902	83,458
8. Total Operating Expenses	\$300,262		\$301,164
9. Net Income before Income Taxes and Interest Charges	\$180,491		\$192,869
10. Income Taxes	Nil		Nil
11. Net Income before Interest Charges	180,491		192,869
12. Interest Charges	140,206		140,206
13. Net Income	\$ 40,285		\$52,663
14. Rate of Return on Common Equity	6.7%		8.8%
15. Rate of Return on Total Capital	12.9%		13.8%

**TABLE 4**  
**Additional Revenue Requirement**

1. Rate Base	\$1,401,225
2. Allowed Rate of Return	17.1%
3. Revenue Requirement before Expenses	\$ 239,609
4. Total Income Available	192,869
5. Additional Revenue Requirement before Taxes and Uncollectibles	\$ 46,740
6. Allowance for Additional Taxes and Uncollectibles	3,963
7. Total Additional Revenue Requirement	\$ 50,703

Based on the findings of this Order and based on the calculation of the additional revenue requirement in Table 4, the Commission concludes that based on a 1981 test year, the Applicant has an additional revenue requirement of \$50,703.

## 9.0 CONSTRUCTION PROGRAM

A brief description of the Manitoulin Island exchanges was provided in a letter accompanying the rate application. It said in part:

At the present time the facilities in the two central offices are almost exhausted and most outside plant feeder and distribution cables are filled to capacity. In order to upgrade service, improve the quality of service and provide facilities to dwellings presently unserved, some very large capital expenditures are required.

Based on our review of the options we have concluded that in the long term the most efficient way in which telephone service can be provided to meet customer needs is by replacement of the present SXS equipment with digital equipment . . . We estimate that approximately two million five hundred thousand dollars will be required in order to provide individual and two party service in the two base rate and four locality rate areas with individual and four party service on a flat rate basis throughout most of the area served. These expenditures would be made over a period of approximately three years.

It is this construction program which the Commission reviewed in the context of the rate application. During the hearing held in Manitoulin Island, the Commission heard a number of complaints regarding the poor quality of service. The Applicant was also asked a series of questions regarding the construction program during the financial hearing in Toronto. The Commission is pleased to note that the Applicant's construction program has been

well developed. The importance of an improvement in the quality of service cannot be understated. Nonetheless, the Commission is concerned over the cost of the construction program. When the Manitoulin Island Telephone Company was purchased by Amtelecom Inc. in 1977, total long term debt amounted to less than \$804,000. The proposed construction program will more than triple the debt at a time when interest rates are prohibitive for other telephone systems. Although the Commission encourages the Applicant to continue to improve the quality of service provided to its customers, the Commission also hopes that the Applicant will evaluate the construction program on an on-going basis, particularly with regard to the scheduling of the program. It appears that a deadline of three years for completion will impose severe financial constraints upon the Applicant. Any alternatives for completing the construction program over a longer period should be seriously considered. At the present time, almost the entire program is financed through short and long term debt at floating interest rates well above prime. A deferred program would enable the Applicant to generate additional funds internally. The Applicant intends to upgrade most residential customers in the Mindemoya and Manitowaning exchanges to four party service with optional one party service. Business customers in the exchanges will be upgraded to a minimum two party service. The Commission endorses the Applicant's construction program with the reservations noted above. The digital switching equipment and the outside plant which are necessary to complete the program will also provide better quality of service to existing and future customers as well as providing enough spare capacity to handle future growth in the exchanges. Outside the base rate areas the Applicant has applied for flat rates for the single and two party service. The Commission has approved these rates. As the name suggests, a flat rate is a monthly charge which is independent of the distance between the customer and the base rate area. On average, flat rates are no more expensive than the traditional base rate area rates plus mileage charges and the Company does not earn more revenues than would be the case if mileage charges were calculated separately. However, flat rates do make premium grades of service more affordable to customers located at the perimeter of an exchange. The Commission is pleased at the success of the flat rates in the Amtelecom Inc. exchanges of Aylmer, Straffordville and Port Burwell and will monitor the introduction and acceptance of the flat rates in Mindemoya and Manitowaning exchanges.

The scheduling of the construction program was of particular interest to the Commission during the financial hearing. At that time it was learned that the equipment manufacturer which has been providing Amtelecom Inc. with digital switching equipment is ceasing to manufacture the equipment. During the financial hearing, Mr. R. Barnard, witness for the Applicant, was not sure if Vidar would honour the contract with the Applicant to provide certain equipment necessary for the upgrade program. Furthermore, the Applicant was undecided whether or not to install the Vidar digital switching equipment even if it could be made available, for fear of not having back up services and parts in the future. The Applicant did state however that the 1982 construction program would be delayed a minimum of three months and if new equipment was required from another manufacturer the delay could stretch into years. Since a definite construction schedule is of some importance to this rate application, the Applicant was requested to file its intentions by February 25, 1982. On March 3, 1982, the Applicant instructed Vidar to complete the digital switches and the associated equipment for the Manitoulin exchanges. By March 16, 1982, the Applicant refiled the 1982 and 1983 construction program for the Manitowaning and Mindemoya exchanges. The Commission realizes that the revised schedule is tentative and subject to changes brought about by the equipment manufacturers.



The Commission hopes to see the installation of the equipment in a timely manner so that customers will realize the quality and grade of service which has been lacking in the Min-demoya and Manitowaning exchange and in a manner which will not place the Applicant in financial jeopardy. The uncertainty associated with the scheduling of the construction program is one of the reasons requiring the Commission to employ an historic rather than a current or future test year.

## 9.1 Field Hearing in West Bay

On November 18, 1981, the Commission held a field hearing in West Bay which provided the Applicant's customers with the opportunity to voice their problems and concerns regarding telephone service to the Commission.

Many customers complained of the poor quality of service particularly the number of outages and noisy lines. The Commission also heard many complaints regarding the lack of single party service available. Both the quality of service and the grade of service available to the telephone users is of great importance to the Commission. During the field hearing and the financial hearing, the Applicant was asked how these problems would be dealt with. It is expected that the Applicant's proposed construction program, the new central office equipment and additional outside plant will alleviate most of the problems. Although the construction program will not be completed as was originally scheduled, the Applicant has made the necessary arrangements to acquire the necessary equipment. It is the Commission's intention to monitor the construction program to ensure that the Applicant's customers are beginning to receive the quality of service and the grade of service required.

## 10.0 COMMENT

During the processing of the rate application, the Commission required the Applicant to respond to a number of interrogatories regarding the toll revenue forecast for 1982. These interrogatories were designed to ascertain whether or not the Applicant had done an adequate and satisfactory job of forecasting toll revenues. During the financial hearing in Toronto, the Applicant was asked additional questions about the method of estimating and forecasting.

The Applicant estimated a decrease in the number of toll messages in 1982 over 1981. The actual number of sent paid-received collect messages in 1981 was in excess of 310,000 but only 300,000 messages were forecast for 1982. During the financial hearing, the Applicant could provide no explanation for this reduction in toll messages. The Commission was unclear because the Applicant was also estimating a \$44,000 or 16.3 percent increase in toll revenue. On page 7 of the rate application it was explained that:

An additional \$44,000 will be generated by long distance telephone tolls. Of the \$44,000, \$8,000 is attributed to new customers and \$7,000 to A.N.I.

However, in reply to interrogatory OTSCO7AUG81-106, the Applicant attributed the \$44,000 increase in 1982 toll revenues as a result of a \$27,000 toll rate increase and a "5 percent increase in Alternate Appendix B on June 21, 1981 and June 21, 1982." The Applicant did not provide a satisfactory explanation for these differing accounts for the expected \$44,000 increase in toll revenues. However, the Commission did note that no

increase in toll revenues was attributed to an increase in toll calling. During the financial hearing, Mr. Berko, witness for the Applicant was asked certain questions regarding the possible growth in toll messages. At the time he predicted that toll messages would probably increase approximately 7.5 percent in 1982 and that toll revenues could be expected to increase accordingly. Clearly this evidence is contrary to the evidence submitted in August 1981 which forecasted a 3 percent decrease in toll messages.

Additional information acquired by the Commission indicated further errors in the Applicant's toll revenue forecast. The 10 percent toll rate increase forecasted for 1982 was approximately 15 percent and the "5 percent increase in Alternate Appendix B on June 21, 1981" was in reality a 5.4 percent increase.

The method of forecasting toll revenue is based on a system whereby projections have been based on toll revenues and not related to messages. Although the Applicant believes that this method of forecasting is accurate for planning purposes, the Commission is not convinced that the Applicant's present method of forecasting revenues is reliable enough to employ for a future test year. This was a prime consideration by the Commission before choosing the appropriate test year. It is appropriate here to repeat the observation made in Order No. 4067 addressed to Amtelecom Inc., in that:

The Commission has some concern over the methods employed by the Applicant to project for the test year.

It is the Commission's hope that the Applicant will seriously review its forecasting techniques and revise them where appropriate for any future rate application.

## **11.0 RATE STRUCTURE**

In regard to the rate structure, the Commission wishes to make two observations.

### **11.1 Tehkummah as a Locality Rate Area**

The Applicant proposed reclassifying Tehkummah from a base rate area to a locality rate area. The Applicant explained that at one time a central office was located in Tehkummah and therefore was identified as a base rate area. Tehkummah is now served from the Manitowaning central office and the treatment of Tehkummah as a base rate is no longer justified. However, under the criteria of the Applicant "a concentration of 25 or more dwellings with telephone service qualifies as a locality rate area". Since Tehkummah meets this criteria, the Applicant has proposed to reclassify Tehkummah as a locality rate area. The Commission agrees that this reclassification is appropriate. However, the lower preferential rates enjoyed by customers located in base rate areas will no longer be provided to Tehkummah customers. While locality rate area rates are lower than the rates approved for other customers outside the base rate area, the reclassification of Tehkummah will result in a substantial increase to some Tehkummah customers due to the combined effect of the rate increase and the reclassification of Tehkummah as a locality rate area.

## 11.2 Extension Telephone Rates

The Applicant did not propose any rate increase for residence and business extension telephones. When questioned, the Applicant provided the following reply:

We consider that present rental rates on both residential and business telephone extensions provide a good rate of return on the capital invested. We hope that by keeping the extension rental rates at their present level we may be able to increase the number of extension telephones in service and improve our income. We are also concerned as to the future possibility of the right to interconnection by our subscribers of their own telephones to our network and the effect this could have on our network and the effect this could have on our revenues. To compete with this possibility we are of the opinion that extension rental rates should not be increased at this time.

The Commission is concerned that the extension telephone rates remain at a level which is compensatory to the Applicant for providing the service. The Applicant has indicated that extension telephones "provide a good rate of return" and it is the Commission's intention to ensure that revenues from other local services do not subsidize the provision of extension telephones. Therefore, the Applicant's contention that extension rental rates should not be increased to compete with the possibility of interconnection, is not, in and of itself, sufficient to prevent increases in extension telephone rates.

In this rate application, the Commission will not require the Applicant to increase rates for residence and business extensions. The Commission has observed that the rates charged for extension telephones are comparable to the rates charged by other telephone systems which operate in the Province. The existing rates appear to be contributing an acceptable proportion to the revenue requirement. However, the Commission, in any future rate applications, may require the Applicant to justify extension telephone rates on the basis that the rates are in fact compensatory.

### 11.3 Basic Monthly Exchange Rates

Manitowaning and Mindemoya Exchanges

	Monthly	
	Business	Residential
1. Individual Lines	\$16.50	\$8.00
2. Two Party Lines	14.00	6.80
3. Multi party Lines	10.65	5.80
4. Extensions	2.25	1.65
5. PBX Trunks	24.90	

There are no changes to extension telephone rates. For reasons see Section 11.2 of this Order.

### 11.4 Mileage Charges

Monthly Charge for each Quarter Mile or Remaining Fraction:

Individual Line	\$.85
Two Party Line	.50
Off Premise Extension	.30



Extra exchange mileage charges for individual and two party business and residence service will apply when these services are provided outside the Base Rate Area of the exchange but within the exchange area. The charges are based on the airline distance between the building in which the telephone or switchboard is located and nearest point on the boundary of the Base Rate Area. There are no changes to mileage charges in this Order.

## 11.5 Flat Rates

Manitowaning and Mindemoya Exchanges

	Monthly Rate	
	Business	Residence
Individual Line	\$31.50	\$23.50
Four Party Line	N/A	8.80

Flat rates apply in rural areas where service has been upgraded to individual and four party service.

## 11.6 Locality Rate Area

Tehkummah, South Baymouth, Wikwemikong, Providence Bay

	Monthly Rate	
	Business	Residence
Individual Line	\$28.50	\$20.50
Two Party Line	22.80	16.00
Four Party Line	N/A	8.80
PBX Trunks	29.50	

## 11.7 Non-Recurring Service Charges

### 11.7.1 Elements of Services and Charges

	Monthly Rate	
	Business	Residence
A) Administration Charge	\$15.00	\$ 9.00
B) Line Connection Charge	15.00	10.00
C) Premises Work Charges	30.00	11.00

### 11.7.2 Service and Charges

Service	Charge	
	Business	Residence
1. Install new main telephone service (A+B+C)	\$60.00	\$30.00
2. Reconnect main telephone, instrument in place		
Premise visit not required (A+B)	30.00	19.00
Premise visit required (A+B+C)	60.00	30.00
3. Reinstall main telephone service		
Premise visit required (A+B+C)	60.00	30.00
4. Change telephone set (A+C)	45.00	20.00
5. Move or relocate telephone instrument in same premises (A+C)	45.00	20.00
6. Take over working service (A+C)	45.00	20.00
7. Change telephone number (A+B+C)	60.00	30.00
8. Change class of service downgrade (A+B+C)	60.00	30.00
9. Install extension: Same time as installation of main telephone	30.00	n/c
Not at same time as installation of main telephone	45.00	20.00
10. Miscellaneous service	45.00	20.00

## 11.8 Miscellaneous Service and Equipment

Description	Code	Monthly Rate:
Residence Digi Pulse first set	1001	\$ 2.30
Residence Digi Pulse each additional set	1002	1.90
Residence Touch Tone first set	1005	2.30
Residence Touch Tone each additional set	1006	1.90
Business Digi Pulse	2001	3.45
Business Touch Tone	2005	3.45
Business Interphone		
— first termination	2301	16.90
— each additional termination	2302	1.70
— indoor speaker	2304	2.15
— outdoor speaker	2305	3.40
PABX telephone extension	3003	9.40
PABX locals		
— each 1 to 30	3004	30.00
— each 31 to 60	3005	14.70
— each 60 to 120	3006	12.50
— each 121 to 200	3007	9.95
Toll restriction	3008	16.55
Illumination for each C.O. line	3300	7.50
6 Button Key Set	3301	7.50
10 Button Key Set	3302	18.55
20 Button Key Set	3303	30.00
Dial Select Intercom		
— each first 10 sets	3304	26.90
— each additional set	3305	1.95
Intercom on Manual System	3306	2.50
Contempra telephone	4001	2.15
Styleline telephone	4002	2.15
Contessa telephone	4003	2.00
Decorator telephone	4004	7.45
511 Desk Set telephone or		
558 Wall Set telephone	4005	2.15
Hard of hearing set	4006	1.70
Memory Phone	4007	25.30
Companion Speaker	4008	10.15
Teledialer 32	4011	16.45
Teledialer Logic 10	4012	19.80
Loud Ringing (LR592) or Code Bell	4020	1.70
Soft Ringing (SR684) or E A Bell	4021	1.40
No. 7 Bell	4022	.90
Commercial Signal Bell	4023	5.50
Bell Chime	4024	2.15
Commercial Signal Control	4025	2.65
Jack	4030	.90
Weatherproof Jack	4032	1.95
Buzzer	4040	.90
Buzzer Signal Button	4041	.90

Description	Code	Monthly Rate:
Cut-Off Key for telephone	4050	.90
Exclusion Key for telephone	4051	.90
Transfer Key for telephone	4052	.90
Hold Key for telephone	4060	1.20
Pick up	4061	1.20
Lamp	4062	.50
Triple Lamp Indicator	4063	2.00
Generator (QGG1C) for buzzer system	4064	3.20
Power Plant for lights on intercom system	4065	4.25
Non-published number	4074	2.55
Transfer service	4075	6.30
Transformer for telephone	4076	1.70
Single Line Hold	4077	1.70
Cable Pair on first quarter mile	4080	3.90
Cable between buildings		
— each 1 to 10	4081	1.70
— each 11 to 25	4082	1.25
— each over 25	4083	.75
Extra Listing		.80
Foreign Listing		.80
Zenith SRCS		3.25
Reference Listing		.80



ONTARIO TELEPHONE SERVICE COMMISSION

ORDER NO. 4151  
Wednesday, the 9th day of June, A.D. 1982

**B E F O R E**

V.W. Bielski, Q.C.	)	IN THE MATTER of sections 6(1),
Chairman	)	12 and 105 of The Telephone
	)	Act (R.S.O. 1980, c.496)
E.A. Frith,	)	
Member, and	)	and
	)	
M.E. Parry,	)	IN THE MATTER of an application
Member.	)	by Northern Telephone Limited
	)	for approval of a change in
	)	rates for telephone service.

**HEARD AT:** New Liskeard, January 14, 1982.

Toronto, April 21 and 22, 1982.

**APPEARANCES**

**For the Applicant:**

M.W. Cooper, President and General Manager, Northern Telephone  
Limited  
M.C. Rand, Counsel, Lugsdin, Lawrence, Taylor, Eccles & Pezzack  
E. Buntain, Merrill Lynch, Royal Securities

**For the Temiskaming Federation of Agriculture:**

J. Carruthers

**Individual Intervenors:**

**For the City of Timmins:**

D. Kelly, Alderman  
D. Welin, Alderman

**Individual Intervenors:**

R. Lapointe  
S. McCaig  
R. Shubert

## 1.0 ORDER

- 1.1 UPON THE APPLICATION of NorthernTelephone Limited, hereinafter referred to as the Applicant, upon reading the application and other material filed, and upon evidence presented during the hearings,
- 1.2 THE COMMISSION HEREBY AUTHORIZES, under and in pursuance of sections 6(1), 12 and 105 of The Telephone Act (R.S.O. 1980, c.496) the Applicant to increase local service rates to generate additional annual revenues of \$1,412,000 as calculated in Section 9, Table 5, of this Order.
- 1.3 THE COMMISSION ORDERS that the Applicant prepare and submit to the Commission, for approval, a revised rate structure which will generate total additional local service revenues of \$1,412,000 annually based upon the estimated average revenue producing units in service during 1982.
- 1.4 THE COMMISSION FURTHER ORDERS that of the \$1,412,000 in additional annual revenues, \$109,000 be generated from the following revenue sources; teletypewriter exchange service TWX, mileage charges, extra exchange mileage, premium telephone features, CAMA trunks, data services, in-house paging, telenote, teletype, and wide area paging non-recurring service charges.
- 1.5 THE COMMISSION FURTHER ORDERS that business and residence extension telephone rates be increased by a minimum of eight percent (8%).
- 1.6 THE COMMISSION FURTHER ORDERS that within 45 days of completion of the 1982 wage settlement agreement, that the Applicant refile estimates for 1982 in the same format as;
  - a) Exhibit 2 Section 4 Appendix 1
  - b) the reply to interrogatory OTSC19NOV81-329 and
  - c) the reply to interrogatory OTSC27JAN82-333

## 2.0 BACKGROUND

The Applicant filed an application for approval of change in rates for local service, on October 2, 1981. The application requested approval of revisions to rates for services, equipment and facilities which would generate an additional \$1,491,000 in revenues in 1982. It was proposed that the revised rates become effective February 1, 1982. If approved, the additional revenues would have resulted in an approximate average rate increase of 19 percent for the services effected.

The Applicant mailed a Notice of Application dated October 13, 1981 to each of its customers. Customers were invited to file written submissions with the Commission on or before November 12, 1981. The Commission received approximately sixty-one written interventions in response to the Notice of Application including two petitions of 45 signatures and 32 signatures.

The Commission held a field hearing in New Liskeard on January 14, 1982. Notices of the hearing had been placed in newspapers serving the Applicant's territory two weeks prior to the hearing.

A second public hearing was held in the Commission's offices in Toronto on April 21 and 22, 1982 and primarily dealt with the financial aspects of the application. The Commission's findings with respect to the financial aspects are contained in sections 3.0 to 12.0 of this Order.

### 3.0 TEST YEAR

In Order No. 3949, the Commission accepted the use of a future test year for the purpose of determining an additional revenue requirement. However, the Commission also qualified the use of the future test year, noting that "...each application is unique and should be considered on its own merits. . ." The Commission also noted that the "...Applicant has in the past demonstrated an ability to make reasonably accurate estimates for future periods. . ." In the current application the Applicant proposed the use of a 1982 test year. However, a revised additional revenue calculation was refiled on March 9, 1982, only five months after the original application. The Applicant revised the 1982 long distance service revenue forecast downward by \$255,000, which represents a decrease of approximately 3 percent in total toll revenues originally forecast. The \$255,000 revision is substantial in light of the original calculation of an additional revenue requirement before taxes and uncollectibles of \$710,000.

A second adjustment was made to the additional revenue requirement to correct for the Applicant's overestimate of interest rates in 1982. In October 1981, it was estimated that interest rates for long term debt financing would be in the order of 19.5 percent and 21.0 percent for short term debt. The revised additional revenue requirement calculation, filed in March 1982 was based on interest rates of 18.0 percent and 17.5 percent for long term and short term debt respectively. Although the Commission recognizes the difficulty of forecasting, particularly in the area of interest rates, the errors discussed above are by no means inconsequential when compared with the additional revenue requirement. The risk associated with the use of a future test year was discussed in Order No. 3949. In that Order, the Commission noted that:

This risk is primarily related to the uncertainties of forecasts and the possibility that the firm may realize a return in excess of the allowed range. The Applicant argued, however, that the benefits of employing a future test year outweighed the risks of earning excessive returns and reasoned that the firm would experience a loss of credibility should substantial overruns occur.

It is important to note however that the Applicant's credibility will be called into question if the magnitude of the errors are substantial, whether or not the firm realizes a return in excess of the allowed range.

The Commission has considered this application on its own merits and finds that a 1982 test year is appropriate for determining an additional revenue requirement. The Applicant's forecasts in the areas of local service revenues and expenses appear to be reasonable. The Applicant's estimates of construction programs for future periods is examined in detail in Section 10 of this Order.

The Commission expects that the Applicant will become more sophisticated in its forecasting techniques and that actuals will reveal less and less variance from estimates. However, if the diligence of the Applicant in attempting to refine its forecasting techniques does not reduce the risk associated with a future test year, the Commission will re-evaluate the appropriateness of the use of a future test year. It is for this reason that the Commission has decided to continue to require the Applicant to provide the annual filings which are specified in Section 1.0 of Order No. 3949 dated June 27, 1980. The annual filing requirements include a review of actual and proposed construction expenditures, estimated revenue requirements, forecast and actual financial information, actual telephone growth, breakdown of actual revenue and details of the rural program. The filing of these reports will not only aid the Commission in assessing the Applicant's ability to forecast for future periods but also be helpful in the analysis of future rate applications.

#### 4.0 REVENUES

As noted in Section 3.0 of this Order, the Applicant revised 1982 long distance service revenues from \$8,439,000 to \$8,184,000. This revision in revenues came after the Commission had completed its interrogatory process. However, during the financial hearing of April 21 and 22, 1982, the Commission provided the Applicant with an opportunity to explain the reasons for the revisions to long distance service revenues. With the concerns expressed in Section 3.0, the Commission is satisfied that the revisions are reasonable and therefore has accepted the long distance service revenue estimate of \$8,184,000. The Commission has also accepted the Applicant's estimates of local service and miscellaneous operating revenues for this application.

#### 5.0 EXPENSES

##### 5.1 Wage Expense

In Exhibit 2, Section 7, Appendix 2, of the application, total operating expenses in 1982 were forecasted at \$15,079,000 an increase of \$2,223,000 or 17.3% over 1981. The Commission notes from the Applicant's reply to interrogatory OTSC19NOV81-208, that the number of regular full-time employees is expected to increase from 318 in 1981 to 322 in 1982. However, wage expense forecasts were based on assumptions of the results of the current wage negotiations. The Commission will monitor the actual settlement and its effect on the expenses forecast and the estimates for station connections and has for this reason directed, in Section 1.6 of this Order, the Applicant to file revised estimates of expenses.

The Commission notes that the Data Service Function Credit is calculated based on the P.S. Ross method of allocation and is in accordance with the Commission's directive in Order No. 3949.

##### 5.2 Depreciation Expense

The Commission has adjusted the Applicant's 1982 construction program by \$500,000 for the reasons discussed in Section 10.0. As a result an adjustment to depreciation expense is also required. The 1982 composite depreciation rate of 5.97, noted by the Commission in Order No. 4140 dated April 15, 1982, has been used to



calculate the \$15,000 adjustment to depreciation expense. The 1982 estimated accumulated depreciation must also be adjusted by \$8,000 to reflect the use of a rate base which has been averaged for 1982.

## 6.0 INCOME TAXES

In reply to interrogatory OTSC27JAN82-604 the Applicant provided the calculation of income taxes. Due to the federal budget of November 12, 1981 the 5 percent federal surtax has been extended into the first six months of 1982. This results in a corporate income tax rate of 51.8 percent as calculated by the Applicant. The Commission has accepted this income tax rate for the purposes of rate making.

In Table 5, Section 9 of this Order, \$761,000 has been included in the additional revenue requirement to compensate for additional taxes, uncollectibles and expenses. This amount is based on the additional income taxes, uncollectibles and expenses provided for in the Applicant's additional revenue requirement in Exhibit 2, Section 7, Appendix 8.

## 7.0 RATE BASE

The Commission continues to measure the rate base by the book value of average invested capital adjusted for any plant and equipment that is deemed to be neither used nor useful. In Order No. 3949, issued June 27, 1980, the Commission made the following statement:

The Commission reaffirms its preference to measure the rate base by the book value of average invested capital adjusted for any plant and equipment that it deemed to be neither used nor useful. However, the corporate operations of the Applicant encompass both a telephone and an investment division; this structure negates the use of an invested capital rate base. Therefore, until there is a suitable change in the structure of the Applicant's operations, the Commission will rely on the net asset rate base.

As a result of the Applicant's recalculation of the additional revenue requirement, Exhibit 6 was filed with the Commission on March 9, 1982. The Applicant's 1982 average net asset rate base as calculated in Appendix 1, sheet 3 of Exhibit 6 has been used by the Commission in Table 1. As a result of the adjustment to the construction program discussed in Section 10 of this Order, an adjustment of \$8,000 to accumulated depreciation is required. The rate base in Table 1 is measured without rate relief.

TABLE 1

NORTHERN TELEPHONE LIMITED

1982 Average Net Asset Rate Base  
Telephone Operations  
\$(000)

	Exhibit 6 Appendix 1 Sheet 3	Commission Adjustment	Revised
1. Total Telephone Property	61,222	(250) <sup>1</sup>	60,972
2. Less: Accumulated Depreciation	19,882	(8) <sup>2</sup>	19,814
3. Net Telephone Property	41,400		41,158
4. Materials & Supplies	530		530
5. Working Capital	(1,626)		(1,626)
6. Sub-total	40,304		40,062
7. Less: Deferred Taxes	6,387		6,387
8. Average total Capital	33,917		33,675

7.1 Material and Supplies

The Material and Supplies allowance as noted in Exhibit 6, Appendix 1, Sheet 3 includes an amount of \$250,000 to reflect the bulk purchase of manufacturer discontinued parts for step-by-step COE equipment as explained by the Applicant in reply to interrogatory OTSC27JAN82-511. The Commission accepts the reasons for the substantial increase in the materials and supplies balance and the Applicant's estimate of \$530,000 is included in the 1982 test year.

7.2 Working Capital

The Applicant has calculated the working capital allowance by means of the financial statement method with the allowance based on the average of year-end balances. The Commission accepts the estimate of working capital based on the methodology presented by the Applicant but in future applications may require the Applicant to present a comparison of working capital allowances calculated by the financial statement method and the modified FPC approach.

<sup>1</sup>Section 10.0

<sup>2</sup>Section 5.2

## 8.0 RATE OF RETURN

### 8.1 Capital structure

The capital structure weights to be applied to each source of financing are an important element in determining the allowed rate of return. The Commission has concluded in previous Orders that the appropriate capital structure to use for the telephone operations is equal to the test year estimated average capital structure of the Applicant without rate relief. The capital structure of the Applicant's total operations taken from Exhibit 6, Appendix 1, sheet 4, is presented in columns (a) and (b) of Table 2.

The dollar amounts of debt, preferred, and equity capital allocated to the telephone operations is presented in column (c) of Table 2. This is obtained by applying the Applicant's capital structure weight for each source of funds to the telephone operations rate base. This method ensures that the sum of the sources of financing for the telephone operations equals the measured rate base.

The existence of an investment division and the use of a net asset rate base for rate making requires that the Commission employ the capital structure weights of Northern Telephone Limited as an approximation of the capital structure of the telephone operations. The Commission does not believe that sources of financing can be identified for the exclusive use of specific divisions. Therefore, until there is a suitable change in the structure of the Applicant's operations, the Commission will not only employ a net asset rate base as discussed in Section 7.0 but will also continue to employ the capital structure weights of the total operations of Northern Telephone Limited to calculate the overall cost of debt and preferred equity of the telephone operations.

TABLE 2

**NORTHERN TELEPHONE LIMITED**  
**Telephone Operations**  
**1982 Average Capital Structure**

	NTL Total Operations		Telephone Operations
	(a) \$(000)	(b) (%)	(c) \$(000)
1. Total Debt	26,505	43.7	14,716
2. Preferred Equity	9,144	15.1	5,085
3. Common Equity	24,935	41.2	13,874
	60,584	100.0	33,675

## 8.2 Cost of Debt Capital

The Commission has used the value of 9.98 percent for the embedded cost of debt capital in 1982, without rates, as calculated by the Applicant in Exhibit 6, Appendix 1, Sheet 5.

## 8.3 Cost of Preferred Equity

The Commission has used the value of 6.11 percent for the embedded cost of preferred shares in 1982, as calculated by the Applicant in Exhibit 6, Appendix 1, Sheet 7.

## 8.4 Cost of Equity Capital

The additional revenue requirement of \$1,885,000 as calculated by the Applicant in Exhibit 6, Appendix 1, Sheet 9 employed a cost of equity capital of 17.5 percent. Mr. D. Buntain, witness for the Applicant recommended a range for the cost of equity capital of 17.5 to 18.5 percent. During the financial hearing of April 22, 1982, a good deal of time was spent examining the reasonableness of a 17.5 percent cost of equity.

Between October 1981, when the rate application was filed with the Commission and April 1982, the time of the financial hearing, there were significant decreases in financial yields. In fact, the Applicant revised the additional revenue requirement in March 1982 to reflect reductions in estimated interest rates. In exhibit 6, the Applicant revised estimates of interest rates on long term debt to 18 percent from 19.5 percent and on short term debt to 17.5 percent down from 21.0 percent originally forecast. Despite these changes, Mr. Buntain did not believe that the cost of equity should also be revised downward from the range of 17.5 to 18.5 percent originally proposed. Furthermore, Mr. Buntain did suggest, and the Commission concurs, that the degree of business risk and financial risk plays a significant role in determining the cost of equity capital

### 8.4.1 Business Risk

Business risk can be viewed as the outcome of the operation of a number of factors. The underlying factor is the variability of the economy in which the Applicant provides service. A service area in which there is little or no variability due to cyclical economic factors implies there will be little or no fluctuation in the operating revenues and the result is little or no business risk. This variability generated by economic factors can be exaggerated by other considerations. In the case of the Applicant, Mr. Buntain suggested that these other considerations include:

- (a) the ratio of toll to local revenues
- (b) the low population density in the service area

Based on an analysis of the economic nature of the service area and the above two points, the witness for the Applicant concluded on page 3 of Exhibit 4 that "the market considers NTL to have a higher degree of business risk than other telephone utilities."



Although Mr. Buntain stated that the Applicant's dependence on businesses which are generally cyclical in nature increases the business risk of Northern Telephone Limited, Mr. Cooper, witness for the Applicant and President and General Manager of Northern Telephone Limited provided another explanation:

It seems to me that the economy of our North is relatively stable. When conditions are good and booming elsewhere, we do not seem to get the same kind of participation. It seems, on the other hand, when things get tough, it still remains somewhat stable.

The relative stability of the economy in the area served by the Applicant implies to the Commission that there is limited business risk. Mr. Buntain's observation regarding the low ratio of toll to local revenues emphasizes this conclusion. Out of the seven telephone companies listed by the Applicant in reply to interrogatory OTSC27JAN82-515 no other telephone company had as low a toll revenue component as the Applicant. Since toll calling is generally considered to be sensitive to economic activity, the Applicant's lesser reliance on toll revenues further decreases business risk.

The Commission has doubts regarding the applicability of population density measurements as a factor in evaluating business risk. Although the Applicant serves a territory with a relatively low population density, the Applicant did not demonstrate how this would affect business risk.

#### 8.4.2 Financial Risk

Since the cost of equity is positively related to financial risk, the degree of financial risk experienced by the Applicant is an important consideration. On page 5 of Exhibit 4, Mr. Buntain, in his direct evidence stated:

Financial integrity refers to the ability of the Company to cover interest payments and other obligations of the trust indenture securing long term debt to satisfy dividend requirements and other obligations to preferred shareholders and to attract debt and equity capital at reasonable costs. It also implies fairness to common shareholders.

Precise measurements of financial risk are difficult to quantify. However, certain information provided by Mr. Buntain has provided the Commission with an approximation of the degree of financial risk experienced by the Applicant. In Exhibit 4, Schedule DHLB 1(b), the Applicant is shown to have common equity comprising 41.5 percent of total capital. On page 4 of Exhibit 4, Mr. Buntain explains the relevance of the common equity ratio:

A less leveraged capitalization can improve a company's credit standing and also reduce the cost of debt capital. Those companies with higher credit ratings usually borrow at a lower rate.

This consideration has not gone unnoticed by the Commission. In Order No. 3949, the following statement was made:

The comparison of the debt equity ratios of the Applicant to that of the average of telephone companies is important in that it is clearly indicative that the Applicant's source of capital funds is more through equity than through debt, than is common in the industry. In so doing, the Commission is concerned that the Applicant is not taking advantage of its financial leverage which may be resulting in unnecessary additional costs to the subscriber.

The evidence filed by Mr. Buntain in Exhibit 4, Schedule DHLB 1(b) clearly indicates that the Applicant's common equity to total capital ratio of .415 is well above the .380 average for the telephone companies listed and the .370 average for a wide range of public utilities in Canada. A common equity to total capital ratio of .415 indicates to the Commission that the Applicant's financial risk is relatively low.

With reference to the Applicant's reply to interrogatory OTSC27JAN82-522, the Commission notes that with a return on average common equity of 16 percent the interest coverage will be 3.2 times and the total fixed charge coverage is estimated to be 2.4 times. These ratios are in excess of the 3.0 times interest coverage and the 2.0 times total fixed charged coverage suggested by Mr. Buntain, as guidelines used by the investment community. Furthermore at a rate of return on equity of 16 percent, these key ratios are comparable to the telephone companies listed by Mr. Buntain in Schedules DHLB V and DHLB VI. In the absence of evidence to the contrary, the Commission must conclude that the financial risk of the Applicant is no greater than the financial risk of many of the telephone companies and other public utilities to which the Applicant has been compared.

#### **8.4.3 Rate of Return on Equity Range**

Given the relatively low business and financial risks of the Applicant, the Commission does not consider a cost of equity in the range of 17.5 to 18.5 percent to be reasonable. The Commission finds instead that a rate of return on equity in the range of 15.5 to 16.5 percent will not only maintain the financial integrity of the Applicant as demonstrated in reply to interrogatory OTSC27JAN82-522 but is fair and reasonable considering the relatively secure business and financial environment of the Applicant. For the purpose of determining an additional revenue requirement in this rate application, the Commission will employ a 16.0 percent rate of return on equity which is the midpoint of the range approved.

#### **8.5 Allowed Range**

The allowed rate of return for revenue requirement purposes is set equal to the Applicant's telephone operations overall cost of capital. This latter quantity is based on the Applicant's average capital structure weights for 1982, without rates, the embedded costs of debt and preferred equity consistent with these weights, and the allowed cost of equity capital.

In Table 3 the calculation of the overall cost of capital is presented. The revenue requirement is based on a mid-point allowed rate of return on capital of 11.88 per cent for this Application.

TABLE 3

## NORTHERN TELEPHONE LIMITED

1982 Overall Cost of Capital  
for Telephone Operations

	Capital Structure Weights	Cost Rate	Weighted Cost
1. Total Debt	43.7	9.98	4.36
2. Preferred Equity	15.1	6.11	.92
3. Common Equity	41.2	15.5—16.5	6.39—6.80
	100.0		11.67—12.08

## 9.0 REVENUE REQUIREMENT

The revenue requirement for the purpose of the application is based on a 1982 test year. The subject of test year and the Commission's finding with respect to this matter are presented in Section 3.0 of this Order.

Table 5 presents the calculation of the additional revenue requirement and Table 4 presents the estimated 1982 income statement reflecting the Applicant's submission and the Commission adjustments.

Based on the findings in this Order and on the calculation of additional revenue requirement in Table 5, the Commission concludes that the Applicant has an additional revenue requirement of \$1,412,000 in the 1982 test year.

**TABLE 4**  
**\$(000) Except Lines 19 & 20**  
**NORTHERN TELEPHONE LIMITED**  
**1982 Income Statement**

	Exhibit 6 Appendix 1 Sheet 1	Commission Adjustments	Revised Income Statement
1. Local Service	10,607		10,607
2. Long Distance Service	8,184		8,184
3. Miscellaneous Operating	1,450		1,450
4. <b>Total Operating Revenues</b>	20,241		20,241
5. Depreciation	3,493	(15) <sup>3</sup>	3,478
6. Customer Services:			
(a) Maintenance	4,055		4,055
(b) Sales	368		368
(c) Commercial	1,218		1,218
(d) Staff Budget and Results	278		278
7. Traffic	168		168
8. Other	5,497		5,497
9. <b>Total Operating Expenses</b>	15,077		15,062
10. <b>Net Operating Revenues</b>	5,164		5,179
11. Income Taxes	1,909		1,909
12. <b>Operating Income</b>	3,255		3,270
13. Other Income	80		80
14. <b>Net Income</b>	3,335		3,350
15. Interest Charges	1,479		1,479
16. <b>Net Income</b>	1,856		1,871
17. Preferred Dividends	313		313
18. <b>Net Income Available to Common Shareholders</b>	1,543		1,558
19. Rate of Return on Average Common Equity	11.1%		11.2%
20. Rate of Return on Average Total Capital	9.8%		9.8%
21. Average Common Equity	13,959	(85)	13,874 <sup>4</sup>
22. Average Total Capital	33,917	(242)	33,675 <sup>4</sup>

<sup>3</sup>Section 5.2

<sup>4</sup>Section 8.0 Table 2.



TABLE 5  
\$(000) Except Line 2

NORTHERN TELEPHONE LIMITED

1982 Test Year  
Additional Revenue Requirement

1. Rate Base	33,675
2. Allowed Rate of Return	11.88%
3. Revenue Requirement before Expenses	4,001
4. Total Income Available	3,350
5. Additional Revenue Requirement before Taxes and Uncollectibles	651
6. Allowance for Additional Taxes and Uncollectibles	761
7. Total Additional Revenue Requirement	1,412

10.0 CONSTRUCTION PROGRAM

In Order No. 3949, June 27, 1980, the Commission observed that in February 1979 the Applicant had made an estimate of 1980 construction expenditures of \$5,675,000 but by February 1980 the estimate had dropped to \$5,336,000. Similarly, the February 1979 estimated 1981 construction expenditures of \$6,375,000 but this estimate was revised downward to \$5,515,000 in February 1980. These significant revisions to the construction program prompted the Commission to make the following comment:

The Commission intends to continue to monitor the level of construction expenditures, the progress of the Rural Upgrade Program and the plans for the introduction of digital switching.

During the processing of this rate application the Commission paid particular attention to the Applicant's construction program. The actual construction expenditures for 1980 and 1981 were greater than both estimates made by the Applicant in 1979 and 1980.

In this application, the Commission was particularly interested in construction program for the 1982 test year. In February 1979, the Applicant estimated construction expenditures of \$4.9 million. In March 1981, the Applicant revised this estimate to \$7.6 million and when the current application was filed in September 1981, the Applicant in Exhibit 2, Section 5, indicated that the construction program had been increased again to include total construction expenditures of \$8.5 million.

From the original estimate of \$4.9 million made in February 1979, the construction expenditure forecast increased approximately 75 percent or \$3.6 million to the current estimate of \$8.5 million. Revisions to the inflation factor and an increase in growth of main stations only account for \$2 million of the \$3.6 million difference in the estimated construction expenditures for the demand category. The remaining \$1.6 million is a result of revisions made by the Applicant to the digital program.

Measuring the construction program in 1971 dollars provides a common base for comparing construction expenditures from year to year.

Exhibit 2, Section 5, Appendix 4 of the rate application illustrates that for the period 1979 to 1983 inclusive, total annual construction expenditures are relatively constant when measured in 1971 dollars. However, even with this adjustment the high level of expenditures planned for 1982 becomes readily apparent. The Applicant explained that this occurrence in 1982 is attributable to the digital installation in Timmins. In 1983 construction expenditures return to a level comparable to the annual expenditures for 1979 to 1981.

In an attempt to better understand the Applicant's long term construction program and to examine the trend of expenditures for the future, the Commission requested the Applicant to file estimated construction expenditures for the period 1977 to 1985 inclusive. Table 6 below is the Applicant's reply to interrogatory OTSC19NOV81-331 for the years 1982 to 1985.

**TABLE 6**  
**NORTHERN TELEPHONE LIMITED**  
**Estimated Construction Expenditures**  
**\$(000)**

	1982	1983	1984	1985
Digital Program only	2,766	1,155	3,207	N/A
Rural Program only	1,166	1,575	1,793	1,072
Total	8,502	7,477	9,702	N/A

Table 6 illustrates that there will be a significant increase in total construction expenditures, in 1984. The Applicant's current plan is to install a large digital switch in the Tri-Town area in 1984. The purchase and initial installation of a digital switch is not an ongoing expenditure and therefore it is expected that construction expenditures will decrease to a more normal level in 1985. The completion of the rural upgrade program in 1985 and the purchase and installation of the digital switches in Timmins and the Tri-Town area during 1982 and 1984 respectively should indicate that construction expenditures will resume to a level which is not a burden to the Applicant or to its customers. However, after 1984 the Applicant plans to increase the rate of modernizing switching equipment to a level of 3,000 lines per year. As a result, total annual construction expenditures will not fall in

1985 but will be maintained at a level of eight to ten million dollars per year. The Commission is concerned over the level of expenditures proposed by the Applicant to modernize switching equipment.

In Exhibit 17, the Applicant estimated that the effect of the proposed construction program alone will require an increase in local rates of 12.5 percent in 1983, 10.4 percent in 1984 and 10.7 percent in 1985. These increases calculated by the Applicant are in addition to the rates requested in this application.

Even though the rate increases calculated by the Applicant approximate the rate of inflation, the required rates would not allow the customers to benefit from increases in productivity. Any rate adjustment brought about by the introduction of efficient new digital switches appear to be offset by the Applicant's high construction expenditures. The Commission therefore questions whether or not the expenditures proposed by the Applicant will actually result in substantial benefits as had been suggested.

The Commission is of the view that the level of construction expenditure should average approximately \$8 million per year for the period 1982 to 1986 inclusive. Expenditures limited to \$8 million per year will require the Applicant to review the rate of modernizing switching equipment. A review of this nature will mean that the Applicant should reassess the modernization programs where a rapid payback is not evident.

For the purposes of rate making, the Commission will normalize the extraordinary expenditures for the purchase and installation of the large digital switches in 1982 and 1984. Therefore, for the period 1982 to 1986 the Commission will use annual construction expenditures of \$8 million for inclusion in the rate base with some allowance for changes in inflation and growth estimates. This adjustment will temper the upward pressure on local rates and will help to eliminate any extraordinary rate increase for a particular year.

The Applicant had estimated construction expenditures of \$8.5 million in the 1982 test year. Therefore, for the purpose of rate making the Commission has reduced construction expenditures by \$500,000 to \$8 million. In Section 7.0 of this Order, the total telephone property has been adjusted by \$250,000 to compensate for the use of an average rate base. Section 7.0 also reflects an adjustment to accumulated depreciation and the required adjustment to depreciation expense is discussed in Section 5.2.

The Commission recognizes the fact that in future years when the Applicant's actual construction expenditure is less than \$8 million, a positive adjustment to the rate base may be required. However, it is the Commission's intention to monitor the effect of this adjustment in future rate applications.

## 11.0 RATE STRUCTURE

The Applicant has proposed that the following services be exempted from rate increases in this rate application; business extensions, residence extensions, TWX, mileage charges, extra exchange mileage, premium telephone features, Cama Trunks, Data services, In-house paging, Telenote Teletype, Wide area paging, Premium colour charges and Department of National Defence services. The Applicant provided the following reason for this exemption in Exhibit 2, Section 9, page 5.



The present monthly rates for these services are considered adequate and the Company wishes to maintain the present rates to encourage use of these services. Revenues from Cama Trunks and the Department of National Defence are related to the Traffice Agreement and the D.N.D. Contract respectively.

In reply to interrogatory OTSC19NOV81-403, the Applicant provided the following reasons for no increase in business and residence extensions.

The Company feels that the demand for these services are very price sensitive and that any increase in the rates could have a negative impact on Company revenues from these services.

Retaining the present rates will encourage existing customers to keep their service and encourage new customers to add to their services and contribute to the Company's overall rate of return.

In reply to interrogatory OTSC27JAN82-403(A), the Applicant elaborated further on this point.

In addition to the risk of the possible immediate adverse effects on revenue due to reduced demand resulting from rate increases for business and residence extensions, the Company has also considered that these types of service offerings will possibly become competitive in the future.

During the interrogatory process and during the financial hearing, the Applicant was asked to substantiate the position that there would be a negative revenue impact if the exempted services incurred rate increases. The Applicant was unable to provide the Commission with sufficient evidence that the rates for the services in question are adequate as stated in Exhibit 2, Section 9, or that the "services are very price sensitive" and any increase in rates would have a negative revenue impact as stated in reply to interrogatory OTSC19NOV81-403 or that possibility of competition requires the services be exempted from an increase in rates. The Commission has not been convinced by the Applicant that the reasons quoted above are sufficient to exempt the services from a rate increase. In Sections 1.4 and 1.5 of this Order, the Commission has ordered that the rates for the services exempted from increase by the Applicant, be increased to generate additional annual revenues of \$109,000 based on a 1982 test year and that business and residence extension telephone rates be increased by a minimum of eight percent. It should be noted that the Commission has ordered a **minimum** increase of eight percent for extension telephone rates and that the Applicant has an opportunity to propose an increase greater than this minimum.

Although the Commission has made this adjustment to the Applicant's rate structure, the Commission is willing to hear reasons for exempting certain services from rate increases. However, in future rate applications, the Commission may direct the Applicant to provide sound rationale supported by financial data for special rate treatment of any service or equipment.

## 12.0 QUALITY OF SERVICE

### 12.1 Rural Upgrade Program

The Applicant has a rural upgrade program underway which will convert all multi party subscribers to a minimum of four party service by 1985. The Commission



notes that the program is on schedule with about 2,000 subscribers left to upgrade. The cost of the program, however, continues to increase. Expenditures for the 1981 to 1985 period are approximately one million dollars greater than noted in Order No. 3949. The Applicant suggested that the increases are a result of inflation and the more accurate engineering estimates. Although the Commission has not made any adjustments to the upgrade program the progress and the cost of this program will be monitored. The Applicant's upgrade program as provided in reply to interrogatory OTSC19NOV81-701 is presented below:

**TABLE 7**  
**Rural Upgrade Program**  
**1981-1985 Estimates**

	<b>Expenditures</b> <b>\$(000)</b>	<b>Subscribers</b>
1981	\$1,023.2	258
1982	966.0	538
1983	1,465.2	508
1984	1,695.0	487
1985	907.3	255
	\$6,056.7	2,046

## **12.2 Field Hearing**

During the field hearing in New Liskeard, customers complained to the Commission regarding the quality of service and the difficulty experienced in trying to get service repaired promptly and adequately. Mr. Cooper, witness for the Applicant indicated verbally that many of the difficulties and outages experienced by customers would be rectified as the Company's upgrade program was completed. Although the upgrade program to a minimum of four party service is not planned for completion until December 1985, many of the customers will be provided with better quality and higher grades of service as specific areas of the operating territory are completed. However, the Commission heard from Mr. Carruthers representing the Temiskaming Federation of Agriculture, who cited a number of examples of customers who had been provided with upgraded telephone service but continued to experience problems with the quality of service. Mr. Cooper promised a written response to Mr. Carruthers addressing his concerns.

The Commission subsequently received a copy of the response signed by Mr. Parker, Director, Customer Services and takes special note of the fact that a repairman has been assigned to work Saturdays in the New Liskeard area on a regular basis and

that this will help to improve repair operation. The Company also addressed the other areas of concern and the Commission notes that it does not have record of any subsequent reply from the Temiskaming Federation of Agriculture.

During the public hearing on April 21 and 22, 1982, the Commission took special note of the Applicant's commitment to complete the rural upgrade program by year end 1985. Many of the Applicant's customers have been upgraded to a minimum of four party service and are currently enjoying this higher level of service. This Commission believes that the upgrade program is a commendable endeavour and that once completed benefits will accrue to both the Applicant and customers. It is the Commission's intention to review the progress of the upgrade program and anticipates the completion in 1985.

ONTARIO TELEPHONE SERVICE COMMISSION

ORDER NO. 4153

Wednesday, the 23rd day of June, A.D. 1982

BEFORE

V.W. Bielski, Q.C.	)	IN THE MATTER of sections 6(1),
Chairman	)	12, and 105 of The Telephone Act
	)	(R.S.O. 1980, c.496)
F.D. Wall	)	
Vice-Chairman, and	)	and
	)	
D. Austin	)	IN THE MATTER of an application
Member	)	by the Corporation of the City of
	)	Thunder Bay for approval to change
	)	the rates for local telephone service.

HEARD AT: Thunder Bay, April 6, 1982

APPEARANCES AND WITNESSES

For the City of Thunder Bay: A. Hawkins, General Manager  
S. Hacio, Assignment Superintendent  
M.D. Adel, Investigations Superintendent  
S. Leschuk, Central Officer  
B. Fummerton, Central Office Superintendent  
R. Diem, Acting Outside Planning,  
Engineering Superintendent  
A. Cousins, Line and Cable Superintendent  
S. Splawski, City Treasurer  
P. Hnaitu, Accounts Receivable Superintendent

For the Handicapped Action Group Incorporated: Mr. R. Ross

For the Township of O'Connor: Mrs. N.E. Myers, Reeve

For Mrs. M. Cryer: Mr. O. Sideen

For Mrs. R. Robinson: Mrs. R. Robinson

## 1.0 ORDER

- 1.1 UPON THE APPLICATION of the Corporation of the City of Thunder Bay, hereinafter referred to as the Applicant, upon reading the application and other material filed and upon evidence presented during the hearing,
- 1.2 THE COMMISSION AUTHORIZES under and in pursuance of sections 6(1), 12 and 105 of The Telephone Act (R.S.O. 1980, c.496) the Applicant to increase local service rates to generate additional annual revenues of \$1,156,224. The new rates will be based upon the estimated average revenue producing units in service during 1982.
- 1.3 THE COMMISSION HEREBY ORDERS that the local service rates and non-recurring service charges in accordance with section 10.0 of this Order to become effective on or after July 1, 1982.

## 2.0 BACKGROUND

The Applicant filed an application for approval of changes in local telephone service rates and non-recurring service charges on September 23, 1981. The application requested approval for an additional \$1,156,224 in local service revenues based on a 1982 test year. This amount would be generated by an increase of 8.5% for residential and business services and 15% for non-recurring service charges. The application also proposed an increase in rates from 10¢ to 25¢ for pay phones.

On October 30, 1981, the Applicant mailed a Notice of Application to each customer which set out the present and proposed rates. Written interventions were to be filed with the Commission on or before November 30, 1981. The Commission received nine written submissions.

Notice of the Public Hearing to be held in Thunder Bay on April 6, 1982 was placed in the Chronicle Times Journal on March 24, and 31, 1982. The Hearing was held in the City of Thunder Bay on April 6, 1982 at 10:00 a.m., wherein the Commission was able to hear matters in respect to both the service quality and the financial aspects.

The Commission's findings with respect to the financial aspects of the application are contained in sections 3.0 to 9.0 of this Order.

## 3.0 TEST YEAR

The use of a test year for a revenue requirement calculation permits the Applicant and the Commission to focus on a set of financial data for a particular operating period adjusted to annualize known changes which have occurred or may occur within the operating period. Factors affecting revenues and expenses within the year will only have a partial year's effect in the test year. However, since a full year effect will be realized in future periods an annualizing adjustment must be made. This permits a more accurate calculation of rates which will be sufficient for future periods.

When the application was filed in October, the Applicant proposed the use of a 1982 future test year.



Calculations used to arrive at the information for the 1982 test year were based on the historic data available as at the end of 1980 and the subsequent estimates made for the 1981 fiscal year.

The Commission is cognizant of the advantages and disadvantages associated with using either an historic or a future test year. Although the Commission generally prefers the use of a current or future test year rather than an historic test year, the Commission must be convinced that the benefits outweigh the risks of using any test year period for which estimates are required.

The risk associated with the use of a future test year is primarily related to the uncertainties of forecasts and the possibility that the additional revenue approved may not reflect the actual additional revenue required. Furthermore, the Commission is concerned that the telephone subscriber not be penalized by unreasonably high rates brought about by inaccurate forecasts by the Applicant. Therefore, the Commission must be convinced that the Applicant has the ability to make reasonably accurate estimates for future periods, thus reducing the risk.

In this regard after having reviewed the information so supplied by the Applicant, the Commission has determined to accept the Applicant's use of the future 1982 as the test year, subject to applicable Commission adjustments.

## **4.0 REVENUES**

### **4.1 Local Service Revenue**

In 1981, the Applicant indicated that due to economic conditions the projected revenues were not reached and that in 1982 the growth of operations would be about 450 - 500 stations below forecast. The initial projected growth for total telephones in 1982 was 3,014. Recalculating the growth for 1982 to be 2,549 telephones and combining this with the actual number of telephones as at the end of 1981 would indicate that the total number of telephones in service in 1982 to be 101,286. By multiplying this number of telephones by the estimated average revenue/telephone (\$76.29)<sup>1</sup> results in an amount for Local Service Revenue of approximately \$7,727,100, a \$76,700 reduction to the Local Service Revenue for 1982.

### **4.2 Toll Revenue**

The Applicant estimates its toll revenues at \$4,164,709 for 1982. This is based on a 9% increase in messages, a 5% increase in "A" Commission effective June 21, 1982, and an estimated increase in "A" Commission due to an increase in toll price of 10% to be effective as at September 21, 1982. Based on the 9% increase over the 1981 actual messages and annualizing the aforementioned increases, the toll commission would be calculated at \$4,646,806; \$482,097 higher than the projected amount. Since the Applicant has confidence in the predictions for toll revenue for the Test Year, the adjustment will be set at \$482,097.

### **4.3 Other Operating Revenue**

The Applicant in the material filed with the Commission has indicated that due to delay in implementing A.N.I. Equipment, the projected revenue would be reduced.

<sup>1</sup>\$7,803/\$102,195 — Exhibit 5 — Income Statement Working Papers, page 3.

The Applicant revised the estimated revenues to be \$201,544 rather than \$245,000, a decrease of \$43,456.

#### 4.4 Directory Revenue

The 1982 Directory Revenues were originally forecasted to increase by 12 percent over 1981. By applying this 12 percent to the 1981 actual Directory Revenues and further adding an estimated \$60,000, the Applicant's portion of those Directory net profits in excess of 10 percent<sup>2</sup>, an adjustment of \$47,044 is necessary.

#### 4.5 Summary of Adjustments to Revenue

Table 1 provides a summary of the adjustments discussed in sections 4.1 to 4.4 and in section 5.2.

**TABLE 1**  
**STATEMENT OF REVENUE AND**  
**SUMMARY OF ADJUSTMENTS**  
**1982 Test Year**

	Exhibit No. 2	Commission Adjustment	Revised Revenue
Local Service	8,264,600	(76,700) <sup>3</sup>	8,187,900
Toll Service	4,164,709	482,097 <sup>4</sup>	4,646,806
Coin Telephone	231,000		231,000
Other Operating	704,171	(43,456) <sup>5</sup>	660,715
Non-Recurring Service	644,857		644,857
Other Income	1,773,963	47,044 <sup>6</sup>	1,821,007
Less: Uncollectibles	(110,000)	15,000 <sup>7</sup>	(95,000)
	\$15,673,300	\$423,985	\$16,097,285

<sup>2</sup> Letter from the Corporation of The City of Thunder Bay, dated April 28, 1982

<sup>3</sup> Section 4.1

<sup>4</sup> Section 4.2

<sup>5</sup> Section 4.3

<sup>6</sup> Section 4.4

<sup>7</sup> Section 5.2

**5.0 EXPENSES**

**5.1 Operating Expenses**

The Commission has examined operating expenses for the 1982 test year and has required the Applicant to provide additional information regarding some items. As a result of this analysis and for the purpose of determining an additional revenue requirement, operating expenses are found acceptable with the exception of uncollectible revenue, gross receipts taxes, and directory expenses.

**5.2 Uncollectible Revenue**

The estimated amount of uncollectible revenues in 1982 is \$110,000. This represents write-offs for the year 1981 which will be recorded by the Applicant in 1982. This figure, however, does not include some \$15,000 in expected recoveries. Therefore, the Applicant's estimate of \$110,000 is revised to \$95,000 to reflect the expected recoveries.

**5.3 Gross Receipts Taxes**

The adjustments to revenue, as summarized in Section 4.5, also requires a compensating adjustment to gross receipts taxes. Therefore, the Commission has made an allowance of \$21,200 which is approximately 5 percent of the total revenue adjustments.

**5.4 Directory Expense**

As a result of the revised estimates for Directory revenue and expense submitted by the Applicant<sup>8</sup>, the 1982 expenses for directory are now estimated at \$930,498 instead of \$915,420, an increase of \$15,078. An adjustment for this amount is required.

**5.5 Depreciation Expense**

Based on the information provided by the Applicant through the filing of this application and the application of October, 1978, which resulted in Commission Order No. 3888, the capital expenditures for the City of Thunder Bay Telecommunications since 1970, the date of formation, have been determined. From the Financial Statements of the Telephone Departments of Port Arthur and Fort William, capital expenditures for the years 1965 to 1970 were determined. Assuming, that any assets purchased prior to 1965 to be fully depreciated, and a 5 percent composite depreciation rate, a depreciation expense for each year was calculated. Accepting the estimated construction program of the Applicant for 1982 of \$4,771,000, the depreciation expense for 1982 would be \$2,628,764, an adjustment of \$2,603,764 to the historic \$25,000 annually set up for the reserve fund.

**TABLE 2**  
**SCHEDULE OF CAPITAL EXPENDITURES**

<b>Purchase Date</b>		
Prior to	1965	\$ 7,217,515
	1965	894,980
	1966	1,148,251
	1967	816,692
	1968	1,200,588
	1969	1,640,458
	1970	1,127,779
	1971	1,688,243
	1972	1,940,523
	1973	2,570,062
	1974	5,521,719
	1975	2,951,631
	1976	2,405,439
	1977	3,553,400
	1978	3,693,771
	1979	3,956,364
	1980	6,979,358
	1981	5,715,027
	1982	4,771,000
<b>TOTAL</b>		<b>\$59,792,800</b>

## **6.0 RATE BASE**

### **6.1 Total Telephone Property**

As was indicated in Section 5.5, a value for the Total Telephone Property was calculated at \$59,792,800<sup>9</sup> as at the end of the 1982 Test Year. The Accumulated Depreciation as of the same period was set at \$24,944,463, based on a straight line 5 percent composite rate, and assuming that any assets purchased prior to 1965 were fully depreciated. The purpose of this exercise was to derive a rate base upon which the Commission could approve a rate of return. Since the Applicant follows the allowed method of municipal accounting, that is, Fund Accounting, capital expenditures can be and in this case are expended for revenue, thus making it very difficult to identify the total value of the telephone property. Section 12 of The Telephone Act indicates that a telephone system, except a municipal telephone system, is entitled to a reasonable return on capital investment and so it becomes necessary to identify the capital component of the Applicant's operations.

<sup>9</sup> Table 2, Section 5.5



## 6.2 Working Capital

The Commission has applied the financial statement method of calculating the working capital allowance in arriving at the appropriate amount for the Applicant. For the submitted 1982 test year this amounts to \$956,125<sup>10</sup> inclusive of materials and supplies. In future applications, the Commission may request the Applicant to file information necessary to allow the Commission to compare the financial statement method with others, such as the Modified Federal Power Commission (FPC) Method.

## 6.3 Calculation of Rate Base

Table 3 provides the calculation of the Applicant's net asset rate base for the 1982 test year.

TABLE 3  
CALCULATION OF NET ASSET RATE BASE

1.	Total Telephone Property	\$59,792,800 <sup>11</sup>
2.	Less: Accumulated Depreciation	24,944,463 <sup>12</sup>
3.	Net Telephone Property	\$34,848,337
4.	Working Capital	956,125 <sup>13</sup>
5.	Total Capital	\$35,804,462

## 7.0 RATE OF RETURN/REVENUE REQUIREMENT

Table 4 which summarizes the Commission's adjustments arrives at the Revised Income for the test year. This Total Income of \$3,261,538<sup>14</sup> before interest charges and without considering any rate increase indicates that for the Applicant with a total capital of \$35,804,462<sup>15</sup> there would be a 9.1 percent return on total capital.

The proposed rates of the Applicant would generate an additional \$1,156,224 to local service revenues.

The effect of including this additional revenue in the test year is reflected in Table 5. The rate of return on total capital as a result of the full inclusion of the Applicant's request is 12.2 percent. This return in the view of the Commission is reasonable and acceptable, considering the size of the Applicant's operations and the lesser risk it faces with respect to financing in comparison with other telephone systems in the industry.

Table 4 presents the Applicant's 1982 projected income statement, the Commission's adjustments and the revised income statement, indicating that Total Income for the Applicant before interest charges would be \$3,261,538.

<sup>10</sup> Exhibit 2, pages 6 and 7

<sup>11</sup> Section 6.1

<sup>12</sup> Section 6.1

<sup>13</sup> Section 6.2

<sup>14</sup> Section 7.0, Table 4

<sup>15</sup> Section 6.3, Table 3

**TABLE 4**  
**INCOME STATEMENT**  
**1982 Test Year**

	Exhibit 2	Commission Adjustments	Revised Income Statement
1. Local Service	\$ 8,264,600	\$ (76,700) <sup>16</sup>	\$ 8,187,900
2. Long Distance Service	4,164,709	482,097 <sup>16</sup>	4,646,806
3. Miscellaneous Service	3,243,991	18,588 <sup>16</sup>	3,262,579
4. <b>Total Operating Revenue</b>	<b>\$15,673,300</b>	<b>\$ 423,985</b>	<b>\$16,097,285</b>
5. Depreciation	25,000	2,603,764 <sup>17</sup>	2,628,764
6. Maintenance	4,031,300		4,031,300
7. Traffic	114,300		114,300
8. Marketing and Commercial	1,276,900		1,276,900
9. General Office	2,561,500		2,561,500
10. Other	609,900		609,900
11. Directory Expense	915,420	15,078 <sup>18</sup>	930,498
12. Gross Receipts/Municipal Taxes	661,385	21,200 <sup>19</sup>	682,585
13. <b>Total Operating Expenses</b>	<b>\$10,195,705</b>	<b>\$ 2,640,042</b>	<b>\$12,835,747</b>
14. Total Income	5,477,595	(2,216,057)	3,261,538
15. Interest Charges	391,944		391,944
16. <b>Net Income</b>	<b>\$ 5,085,651</b>	<b>\$ (2,216,057)</b>	<b>\$ 2,869,594</b>

<sup>16</sup> Section 4.5<sup>17</sup> Section 5.5<sup>18</sup> Section 5.4<sup>19</sup> Section 5.3

TABLE 5

INCOME STATEMENT WITH PROPOSED RATES  
1982 Test Year

1.	Local Service	\$ 9,344,124
2.	Long Distance Service	4,646,806
3.	Miscellaneous Service	3,254,831
4.	<b>Total Operating Revenues</b>	<b>\$17,245,761</b>
5.	Depreciation	2,628,764
6.	Maintenance	4,031,300
7.	Traffic	114,300
8.	Marketing and Commercial	1,276,900
9.	General Office	2,561,500
10.	Other	609,900
11.	Directory Expense	930,498
12.	Gross Receipts/Municipal Taxes	740,396
13.	<b>Total Operating Expenses</b>	<b>\$12,893,558</b>
14.	Total Income	4,893,203
15.	Interest Charges	391,944
16.	<b>Net Income</b>	<b>\$ 3,960,259</b>

## 8.0 QUALITY OF SERVICE

The Commission having reviewed the written submissions received and considered the comments put forth at the hearing wishes to impress upon the Applicant its concerns regarding certain service problems that have arisen.

During the hearing, a written submission was received from the Pass Lake/Cloud Bay/Kaministiquia Telephone Action Committee concerning Extended Area Service between their area, which are Bell Exchanges, and the City of Thunder Bay.

The Commission is aware of this concern and in a letter to this Committee on November 17, 1981, indicated the Commission's position.

The Commission is aware, as evidenced in your correspondence, that there is a desire for E.A.S. between Pass Lake and Thunder Bay. The Commission is also aware that Thunder Bay and Bell Canada will be in a position to offer extended area service to Pass Lake by 1983. Based on previous E.A.S. applications, the Thunder Bay and Bell Canada's proposed time frame is not unreasonable. However, E.A.S. between Pass Lake and Thunder Bay will have to be approved by both the Canadian Radio-television and Telecommunications

Commission and the Ontario Telephone Service Commission. The Commission's consideration of E.A.S. between Pass Lake and Thunder Bay will be based on the concerns outlined in the enclosed E.A.S. Policy letter.

The complaints of Mrs. Myers, the Reeve of the Township of O'Connor, Mrs. Cryer and Mrs. Robinson, and others with similar complaints regarding the delay in upgrading of service from multi-party to 4-party service, dialing problems, line static, and other line related problems, and in general problems related to the lack of privacy in the multi-party lines have to be addressed by the Applicant.

The Commission is aware of the Applicant's upgrading program which, for the Township of O'Connor, will be completed by the end of 1982 and for all other subscribers within the service area by the end of 1983. The Commission commends the Applicant for its planning and expects the Applicant to readily fulfill its obligations.

The Commission is concerned with the lack of contact between the customer and the telephone system and suggests that the Applicant extend a little more effort in their contact with their subscribers, by letting them know that work has been done, individually, or for an area, and what the plans are for the future.

The Applicant is requested to keep the Commission informed of its undertakings in settling the complaints of these customers and of any future dialogue with the Handicapped Action Group with respect to special rates and equipment.

## 9.0 COMMENT

In Section 6.0 of the Order, the Commission calculated a net asset rate base using known capital expenditures and a 5% composite rate for depreciation purposes. In Section 7.0 of the Order, the total income for the test year was arrived at, notably taking into account a revised depreciation expense amount based on the 5 percent composite rate. It is felt that this method better meets the needs of the Commission in determining the revenue requirement of the Applicant.

In Section 2.0 of the Order, it was noted that the Applicant had applied for an additional \$1,156,224 in annual revenues.

In Section 1.0 of the Order, the Commission approved the final rate structure as proposed by the Applicant.

The Commission is satisfied with the Construction Program of the Applicant and wishes to be kept aware of any changes to the Long Range Planning Program and the work done with respect to E.A.S.



## 10.0 RATES

### 10.1 Basic Monthly Exchange Rates

- (a) City of Thunder Bay Zone "A" map TBT57-73 (Appendix B attached).

	Business	Residence
Individual line	\$10.65	\$5.00
Two-party line	7.95	3.75
Four-party line	6.55	3.40
Trunk line	13.35	6.25

- (b) Rural Thunder Bay Zone "B", roughly a 5 mile band around the City of Thunder Bay and the Village of Kakabeka Falls as defined by maps TBT58-73, TBT59-73 and TBT66-73 (Appendix B attached).

	Business	Residence
Individual line	\$14.60	\$6.95
Two-party line	12.00	5.65
Four-party line	9.35	4.45
Multi-party line	6.80	3.30
Trunk line	17.30	8.15

No increases in Multi-party line rates have been approved in this application.

- (c) Rural Thunder Bay Zone "C", all rural areas served by Thunder Bay Telephone, roughly outside the 5 mile band as defined in Zone "B": which includes the townships of Pearson, Gillies, O'Connor, Marks, Lybster, Fraleigh, Strange and part of Conmee as defined specifically by maps TBT60-73, TBT61-73, TBT62-73, TBT63-73 and TBT64-73. (Appendix B attached.)

	Business	Residence
Individual line	\$18.65	\$8.75
Two-party line	15.95	7.55
Four-party line	12.00	5.65
Multi-party line	9.05	4.35
Trunk line	21.30	10.05

No increases in Multi-party line rates have been approved in this application.

Where any of the boundary lines are shown along a road, both sides of the road will be defined in the lesser area. (400 ft. from centre of the road.)

## 10.2 Extension Telephones

Class of Service	Monthly Rate
Business — all zones	\$ 2.00
Residence — all zones	1.40
PBX — Manual	2.00
Step-by-step	3.10
Common control	7.40
PBX Hotel-Motel and Hospitals (rooms)	
— Step-by-step	2.55
Common control	3.05

## 10.3 Non-Recurring Service Charges

### *Business Service*

*Primary Exchange Service — to provide a telephone and/or line*

	Service Charge
Central Office line, including one telephone, each	\$40.75
Party line service, including one telephone, each	40.75
Trunk line, each	40.75
Take over a working main PBX or order trunk service (change of name)	13.75
To extend a Central Office line or trunk line to an answering board	17.75
Reconnection of temporary suspension of service	17.75
Restoration of service — restoration of each main service suspended for violation of regulations and/or non- payment of account, without termin- ation of service	17.75

*Extension telephones — to provide an  
extension telephone or PBX extension*

	Service Charge
Extension telephone, each	\$21.50
PBX extension line including one telephone, each	21.50
PBX extension in excess of one for each line	21.50
Off-premises extension (within same wire centre business or residence)	21.50

10.3 Non-Recurring Service Charges (Cont'd)

*Residence Service*

	Service Charge
Primary Exchange Service — provide one or more Central Office lines, main telephones or trunk lines, each	\$24.50
As above, with equipment in place and no change required	17.75
Customer initiated request for telephone change or installation of an extension - same visit	10.75
Take over working main service (change of name)	7.75
Reconnection of temporary suspension of service	17.75
Restoration of service — restoration of each main service suspended for violation of regulations and/or non-payment of account, without termination of service	17.75
Extension telephones — provide one or more extension telephones including telephone, each	21.50
For other work performed on a customer's premises, each unit	21.50
When first extension is installed at the same time as the main service. The S.C.C. does not apply to the extension. All zones.	
Teledapt Jack Location, phones picked up by customer.	
One Central Office line and any number of telephones up to the number of jacks in place	17.75
Transfer of main telephone service and any number of extensions to a teledapt jacked location up to the number of jacks in place	17.75
Customer visit "phone store" to add or change phones	7.75

### 10.3 Non-Recurring Service Charges (Cont'd)

#### *Other Work (Residence or Business)*

	Service Charge
Change of telephone instrument equipment and/or facilities. To change from one telephone instrument to another at customer's request	\$21.50
Change of location on same premises, each telephone	21.50
Miscellaneous equipment for which there is no service charge	21.50
Change of extension telephone from one main telephone line to another, each	21.50
Change of PBX extension line from restricted to unrestricted or vice-versa, each	21.50
Change of Central Office line, trunk line or wats access line from one answering board terminal to another, each	21.50
Change of telephone number at the customer's request	17.75
Traffic studies requested by customers (2 per year, gratis) maximum each study 2 weeks, all other studies extra charges will apply). Normal work week Monday to Friday	40.75

#### *Directory listing changes at customers request*

Primary listing: Business	13.75
Residence	7.75
One or more Extra Listings in a Primary listing: Business	13.75
Residence	7.75

### 10.4 Directory Listings

Extra listings: Business	0.50
Residence	0.45
Non-Published Service	1.20
Joint User	3.75

### 10.5 Coin Telephones

Initial charge for coin telephone call	0.25
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### 10.6 Auxiliary Services

Monthly charges and service connection charges for auxiliary services and equipment are listed in Appendix A of this Order.



APPENDIX A

SECTION I

Basic Service	Monthly Rate
<i>Toll Denial Unit</i>	
Business and Residential, per telephone	\$ 3.95
<i>Toll Denial</i>	
Business and Residential, per line	1.55
<i>Short Term Telephone</i> (see Note 1) All Zones	
<i>Temporary Suspension of Service (T.S.S.)</i> All Zones Half Monthly Regular Rate	
<i>Digipulse Service per line</i> <i>(except Key System – PBX-PABX)</i>	
Business – each	3.70
Residence – each	2.50
<i>Touch-Tone Service per line</i>	
Business – each	3.70
Residence – each	2.50
<i>Off Premises Extensions</i> (see Note 2) All Zones	
<i>Answering Service Lines</i> (see Note 2) All Zones	

**Note 1:** Two (2) months minimum charge, plus S.C.C.

**Note 2:** Apply local mileage charges and regular extension rate if telephone instrument required, plus S.C.C.

SECTION V: Private Branch Exchange Service

Class of Service	Monthly Rate	Service Connection Charge
<i>Manual PBX Systems</i>		
Cordless switchboard, each position		
No. 507B	\$ 24.15	\$ 88.25
No. 555 — capacity 60 extension lines	38.10	102.25
— capacity 120 extension lines	52.70	102.25
<i>Dial PBX Systems</i>		
No. 701 or 740 attendant's position, each		
No. 552A (Cord Non-Multiple)	52.70	307.00
No. 552D or 605A (Cord Multiple)	67.30	307.00
No. 607A (Cord Multiple)	146.35	307.00
No. 608 (Cord Multiple)	109.80	307.00
No. 508 (Cordless)	102.50	307.00
<i>Dial Equipment</i>		
Selectors, connectors and selector connectors	6.20 (see Note 1)	
Dial station line terminal, each	1.10 (see Note 1)	
Common equipment		
— 2 digit system	80.50 (see Note 1)	
— systems of 3 or more digits	109.80 (see Note 1)	

**Note 1:** SCC are based on units. Units are computed by adding dial station terminals, selectors, connectors, and selector-connectors and the charges are as follows:

<b>Two Digit System:</b> — 60 units or less, each	\$870.25
— additional 10 units or less	143.50
<b>Three Digit System:</b> — 1 — 100 units, each	30.75
1 — 200 units, each	24.50
1 — 300 units, each	21.50
1 — 400 units, each	19.00
Over 400 units, each	17.25

SECTION V: Private Branch Exchange Service (Cont'd)

Class of Service	Monthly Rate	Service Connection Charge
<i>Switchboard Consoles — Cordless</i>		
1 — 50 lines	\$19.75	\$143.50
Over 60 lines	26.65	215.25
Special Console (i.e. 4A)	51.20	256.00
<i>Switching Equipment (Common Control)</i>		
1 — 50 lines	29.30	717.00
Each additional 50 lines	29.30	717.00
Touch-tone feature	36.55	205.00
<i>Switching Equipment (Electronic)</i>		
1 — 50 lines	29.30	512.00
Each additional 50 lines	29.30	205.00
Touch-tone feature	36.55	205.00
Telephones equipped for touch-tone calling	1.20	21.50
Telephones equipped for digipulse	3.70	21.50
<i>Additional Features PBX Systems</i>		
Busy lamps field, each unit 50 — (common control)	8.75	88.25
Busy lamps field, each unit 50 — (electronic)	11.75	88.25
Dial Access terminal paging	4.45	21.50
Night answering arrangement	3.30	21.50
Tie Trunk Terminal, each		
— Manual	3.95	21.50
— Outgoing	7.95	21.50
— Incoming	15.95	21.50
— Outgoing and Incoming Dial	19.90	21.50
— Tandem Operation	15.95	88.25
Emergency power — common control	31.10	108.75
Emergency power — electronic	98.70	108.75
Executive ringback — (Sg-1 or SG1A)	13.00	21.50
Toll restriction or denial, each trunk	4.75	21.50
Toll restriction or denial for locals, (electronic)	5.70	21.50

## SECTION V: Private Branch Exchange Service (Cont'd)

Class of Service	Monthly Rate	Service Connection Charge
<i>Dial PBX Dictation — Recording Terminal</i>		
When provided with a SxS PBX system, each	\$21.30	\$21.50
When provided with other dial PBX systems, each	35.95	21.50
Dictation — recording attendant's hand telephone, each	2.00	21.50
<i>Conference Equipment</i>		
Manual Conference Equipment		
5 line capacity	7.95	21.50
Dial Conference Equipment		
5 line capacity (SxS and common control)	5.30	21.50
10 line capacity (SxS and common control)	10.65	21.50
5 line capacity (electronic)	12.65	21.50
<i>Arrangements for Night and Holiday Service</i>		
Bridging connection, each	3.95	21.50
Night cord with 3 plug ends	.35	21.50
Night cord with 4 plug ends	.70	21.50
Night cord with 5 plug ends	1.00	21.50



## SECTION VI

Class of Service	Monthly Rate	Service Connection Charge
<i>Hotel-Motel and Hospital (rooms only)</i>		
<i>Private Branch Exchange Services</i>		
Regular rates and charges apply for switch- boards and switching equipment. Trunk lines (see Basic Rates)		
Telephones equipped for touch-tone calling. (Note 1)	\$ 1.20	\$ 21.50
Telephones equipped for digipulse dialing. (Note 1)	3.70	21.50
Single digit dial terminal	4.45	72.75
<i>Message Register</i>		
Cumulative type, each	.40	
Reset type, each	.65	
Common equipment, (each group of 50)	85.25	108.75
<i>Message Waiting</i>		
Each telephone	.85	
Common Equipment	22.10	108.75
<i>Call Answering Board</i>		
Position equipped for 1 — 40 lines	51.20	88.25
Position equipped for 41 — 100 lines	67.30	102.25
<i>Concentrator Identifier Equipment</i>		
Concentrator identifier equipment of 50 lines or 100 line capacity	199.60	2,621.75
Bridging charge for the connection of service with concentrator, each	2.00	

Note 1: S.C.C. does not apply on original installation or when other work is done on set.

SECTION VII

Order Turret Service		Monthly Rate	Service Connection Charge
<i>Automatic Call Distributor Systems</i>			
Model 40:	Attendant's position, each	\$ 7.95	\$108.75
	Common equipment	558.85	319.50
	Register equipment	32.00	21.50
	Night announcement equipment	13.35	65.50
	Delayed announcement equipment	86.40	40.75
Model 200:	Attendant's position, each	7.95	108.75
	Common equipment — 20 positions or less	359.25	188.25
	Common equipment — each additional 10 positions	119.75	71.50

## SECTION VIII

Push Button Telephone Systems Key Equipment Intercom, and Paging Systems	Monthly Rate	Service Connection Charge
<b>Push Button Telephone Systems</b>		
<i>Illuminated System</i>		
— includes pick-up, hold and illumination, each line	\$ 4.35	
— 6 button telephones — 3 lines S.K.I. (Note 1)	2.30	24.50
— 6 button telephones — (Note 1)	3.70	24.50
— 6 button E/W exclusion feature (Note 1)	4.35	24.50
— 12 button key external (Note 1)	17.50	61.50
— 10 or 12 button call director (Note 1) (logic - corinthian)	10.95	61.50
— 18 or 20 button call director or logic (Note 2)	19.55	88.25
— 30 button call director (Note 1)	26.65	145.50
— 60 button call director (Note 1)	49.75	256.00
— Face plate additional on logic, each (Note 2)		6.25
Digipulse per set (Note 3)	3.70	24.50
<i>Cut Off and Exclusion Feature</i>		
Manual cut off, each	.50	21.50
Manual exclusion, each	.50	21.50
<i>Automatic Exclusion</i>		
Each line or each telephone	1.90	21.50
<i>4A Key Equipment and Head Set Unit</i>		
— 4A key equipment with holding feature, each	2.00	21.50
— 4A key equipment without holding feature, each	2.00	21.50
— Head set unit, each	1.25	

**Note 1:** Pick-up, hold and illumination, extra \$4.35 per line.

**Note 2:** Maximum charge \$15.50 per visit.

**Note 3:** S.C.C. does not apply on original installation.

## SECTION VIII (Cont'd)

Push Button Telephone Systems Key Equipment Intercom, and Paging Systems	Monthly Rate	Service Connection Charge
<i>Monitoring Equipment</i>		
Each line	\$ 1.50	\$21.50
<i>Busy Lamp Cabinet (Key System)</i>		
— 12 lamps	4.25	58.75
— 24 lamps	5.60	104.25
— Logic busy station	3.80	104.25
<i>Special Key Telephone Units</i>		
— Busy line lamp, control relay, each circuit	1.85	21.50
— 2A-KTU (battery for paging system)	1.00	21.50
— 1K4 Relay	0.65	21.50
— 219-A-KTU (repeater)	8.00	21.50
— 227-BKTU (sequential hunt)	2.70	21.50
— 229-KTU (line transfer relay)	2.50	21.50
— Delayed ring transfer unit — QUN-20A	2.15	21.50
<b>Inter-communicating Circuits with Dial Signalling</b>		
<i>Dial Selective — Signalling Unit</i>		
Dial type signalling unit		
— first 10 dial codes or less	14.60	63.25
— additional dial code unit, each	—	21.50
— additional dial code, each	1.10	—
— busy tone feature	3.75	21.50
— busy tone feature with flashing lamp	5.70	21.50
— touch tone selection	13.85	21.50
— intercom conversion bell relay — 12 volt	.35	21.50
Link type signalling unit		
— first 10 dial codes or less	51.20	130.75
— additional dial code, each	3.70	—
— additional dial code units, each	—	63.25
— touch tone selection	24.95	21.50
— long line circuit	2.95	21.50
<i>Add-on Conference Feature</i>		
— each Central Office line or PBX extension line	2.95	21.50
— each telephone equipped for add-on	1.70	21.50
<i>Manual Intercom</i>		
each	2.05	21.50



SECTION VIII (Cont'd)

Push Button Telephone Systems Key Equipment Intercom, and Paging Systems	Monthly Rate	Service Connection Charge
<i>Paging Systems</i>		
Amplifiers — under 25 watts	\$ 6.65	\$40.75
Amplifiers — 25 to 75 watts	12.50	40.75
Amplifier loudspeaker	7.30	40.75
Loudspeakers:		
— low output	1.90	21.50
— medium output	2.15	21.50
— high output	3.95	21.50
— for use in explosive atmosphere	7.50	21.50
Input:		
— microphone	3.95	21.50
— telephone, key equipment or switchboard jack	2.00	21.50
— for connection of customer-owned radio paging to PABX equipment	5.30	21.50
<i>Business Interphone F</i>		
Initial business interphone telephone (basic equipment)	13.60	24.50
Additional telephone equipped for business interphone, each	1.65	21.50
Loudspeaker — microphone — indoor, each	1.65	21.50
Loudspeaker — microphone — outdoor, each	2.30	21.50

SECTION IX

Mileage Charges	Monthly Rate	Service Connection Charge
<i>Local Mileage</i>		
VOICE GRADE CHANNELS other than Business or Residence main station between buildings on different properties.		
1 — 50 circuits — first ¼ mile	\$3.30	\$40.75
1 — 50 circuits — additional ¼ mile, each	1.05	
Over 50 circuits — first ¼ mile	2.10	40.75
Over 50 circuits — additional ¼ mile, each	.70	
<i>Greater Band Width Than Voice Grade</i>		
Not-equalized — first ¼ mile	3.95	40.75
Non-equalized — additional ¼ mile, each	1.45	
5000 to 8000 Hertz — first ¼ mile	4.35	40.75
5000 to 8000 Hertz — additional ¼ mile, each	1.80	
8000 to 15000 Hertz — first ¼ mile	4.70	40.75
8000 to 15000 Hertz — additional ¼ mile, each	2.10	
<i>Circuits Between Buildings on Continuous Property</i>		
— First 10 circuits, each (max. ¼ mile run)	.90	40.75
— Next 15 circuits, each (max. ¼ mile run)	.65	40.75
— Circuits in excess of 15 each (max. ¼ mile run)	.25	40.75
— Individual circuits between points in same building or on same property, each (max. ¼ mile run)	2.15	21.50
— Inter-exchange mileage per ¼ mile	1.45	40.75

## SECTION X

Telephone Station Equipment	Monthly Rate	Service Connection Charge
— Dawn (E/W Gold Ring) — (Note 1)	\$ 2.15	\$21.50
— Contempra — Trendline telephones, each (Note 1)	1.20	21.50
— Doodle (E/W 1 pad and 1 pencil) (Note 1)	1.95	21.50
— Logic 1 (Note 1)	1.95	21.50
— Princess — Contessa telephones, each (Note 1)	1.20	21.50
— Ericaphone telephone, each (Note 1)	1.20	21.50
— Two line telephone, each (Note 1)	1.10	21.50
— Tri-line telephone, each (Note 1)	3.70	21.50
— Telephone set less dial, each (Note 1)	1.85	21.50
— Speakerphone, each	12.40	21.50
— Speakerphone, Companion I	4.90	21.50
— Touch-tone Service		
— Business, each extension telephone	1.20	21.50
— Residence, each extension telephone	1.20	21.50
— Digipulse Service		
— (except Key System — PABX and PBX)		
— Business, each extension telephone	1.20	21.50
— Residence, each extension telephone	1.20	21.50
— 2 line key, each	1.00	21.50
— 3 line key, each	1.45	21.50
— Secretarial answering units		
10 lines	13.35	58.75
— 20 lines	24.45	71.50
— Single line hold button	1.05	21.50
— Mickey Mouse Telephone, each (Note 1)		
— 1st year	9.75	21.50
— thereafter	2.70	
— Alexander Graham Plane, each (Note 1)		
— 1st year	6.80	21.50
— thereafter	1.90	

*Decorator Telephones*

— Chest telephone, each (Note 1)	4.25	21.50
— Antique telephone, each (Note 1)	4.25	21.50
— Antique wooden wall telephone, each (Note 1)	4.25	21.50
— Candlestick telephone, each (Note 1)	2.65	21.50
— Telephone with explosive atmosphere feature (Note 1)	9.20	21.50
— Telephone with explosive atmosphere feature (Note 1) installed after Jan. 1, 1979	26.05	21.50
— Telephone outdoor weatherproof, each (Note 1)	3.20	21.50
— Telephone (building elevator), each (Note 1)	7.10	21.50
— Pedestal, each	2.00	21.50

SEXTION X (Cont'd)

Telephone Station Equipment	Monthly Rate	Service Connection Charge
<i>Decorator Telephones (Cont'd)</i>		
— Handset, equipped with volume control:		
— hearing, each (Note 1) (Note 2)	\$ 2.15	\$ 21.50
— speech, each (Note 1) (Note 2)	2.15	21.50
— Noisy location — special transmitter, each (Note 1)	1.10	21.50
<i>Automatic Dialer</i>		
Magical, each	20.50	21.50
Auto-Dialer Logic	10.00	21.50
Auto-Dialer	9.05	21.50
<i>Automatic Telephone Answering and Recording Equipment</i>		
— Answering and recording equipment tape maximum — 2 hr. each 700	25.60	21.50
— Answering and recording equipment, 30 second announcement, tape maximum 20 minutes remote playback — Feature 440-444-333	23.35	21.50
— Answering and recording equipment — tape maximum 10 minutes, each (Memory Phone)	11.20	21.50
— Addition pocket coder, each	2.70	Nil
— Back spacer, each	1.75	21.50
— Answering equipment, each 200A	17.50	21.50
— Monitor recorder, each	21.90	21.50
— Foot switch	1.25	21.50
— Special receiver	1.20	21.50

Note 1: In Addition to monthly rates.

Note 2: At Doctors request. No monthly rental, only S.C.C.



## SECTION XI

Other Equipment	Monthly Rate	Service Connection Charge
<i>Ring Down Circuit</i>		
Installed on customer premises	\$ 4.40	\$40.75
Installed in Central Office	3.70	40.75
<i>Facsimile Equipment</i>		
— Telescript receiver	47.30	61.50
— Telescript transmitter	54.05	61.50
— Telescript transceiver	81.00	61.50
— End-of-message unit	4.40	
<i>Neutralizing Transformers</i>		
Monthly charge shall be on the basis of total circuits each transformer is equipped with:		
— 2 K.V. transformer, each circuit	2.60	21.50
— 3 K.V. transformer, each circuit	7.50	21.50
— 4.5 K.V. transformer, each circuit	8.15	21.50
— 7.5 K.V. transformer, each circuit	17.65	21.50
— 9 K.V. transformer, each circuit	17.65	21.50
— 12.5 K.V. transformer, each circuit	7.60	21.50
<i>Custom Calling Features</i>		
Call forwarding — business	4.35	17.75
Call forwarding — residence	2.40	17.75
Call waiting — business	3.65	17.75
Call waiting — residence	2.40	17.75
Three way calling — business	3.05	17.75
Three way calling — residence	2.40	17.75
Speed calling (8 code) — business	3.05	17.75
Speed calling (8 code) — residence	1.80	17.75
Speed calling (30 code) — business	4.35	17.75
Speed calling (30 code) — residence	2.95	17.75
Maximum S.C.C. of \$26.75 for two (2) or more customer features.		
No monthly rental increase on custom calling features. Tariffs originally established based on software costs for electronic/digital Central Offices.		
<i>Jack and Plug Equipment</i>		
Jack, each	.60	21.50
Weatherproof jack, outdoor, each	1.15	21.50

SECTION XI (Cont'd)

Other Equipment	Monthly Rate	Service Connection Charge
<i>Line Signals</i>		
Each push button, buzzer or No. 7 bell ( <b>Note 1</b> )	.60	21.50
Extension bell, regular, each	.60	21.50
Extension bell, (loud gong), each	.90	21.50
Bell chime, each	1.20	21.50
<i>Lamp Signals</i>		
1 lamp indicator, each	.60	21.50
2 lamp indicator, each	.80	21.50
3 lamp indicator, each	1.05	21.50
<i>Commercial Power Signals</i>		
Telecode relay, each ( <b>Note 2</b> )	1.50	21.50
Bell vibrating — 8 inch, each	1.65	21.50
Bell vibrating — 10 inch, each	2.95	21.50
Horn — indoor, each	2.45	21.50
Horn — outdoor, each	2.95	21.50
<i>Receiver</i>		
Single head receiver, each	.55	
Double head receiver, each	.85	
<i>Head and Hand Sets — Additional</i>		
For each console or attendant's position one (1) supplied	N/C	
Additional head, set, each, and jack mounting	1.30	
Additional hand set, each	1.45	
Lightweight headset, each	6.15	
<i>Voycall Equipment</i>		
— 15/25/1/1 — One bay exchange, each	44.90	85.00
— PS-382 — Power supply, each	1.50	
— DP-11 — Dual phone (single), each	8.30	43.25
— DP-31 — Dual phone (five line), each	10.85	46.25
— DP-32/HF-10 — Dial phone with speaker and phone adapter	16.65	67.75
— CSM-6A — Master station, each	3.55	43.25
— CSM-6AH — Master station E/W handset, each	5.00	43.25
— CSM-8W — Wall telephone master station, each	3.05	43.25
— CSN-2 — Paging adapter, each	.65	
— DP-51 — Rotary dial (10 button), each	12.65	83.00

**Note 1:** If a push-button, buzzer or bell is installed as a circuit, only one S.C.C. will apply. If an additional buzzer or bell is installed at the same time, ½ the S.C.C. will apply.

**Note 2:** Customer will supply commercial power.

SECTION XI (Cont'd)

Other Equipment	Monthly Rate	Service Connection Charge
<i>Special Assemblies</i>		
Reset register	2.45	21.50
Rotary splitting feature	3.30	21.50
44V4 shelf E/W 359H equalizers and No. 227 amp.	21.15	65.50
<i>Special Assembly for Sure Staff Interface</i>		
Bell Canada Commercial		
1 register (non-resettable RGD66E 24V)	3.75	Cost of Labour and Material
1 card file (position model 7483-5W)	41.45	
1 line card (position model 7356)	20.40	
1 register card (position model 7483)	28.60	
<i>Special Assembly for Data Route Circuit</i>		
Royal Bank of Canada		
Candian Imperial Bank of Commerce		
Jack Panel	2.95	Cost of Labour and Material
Loop back key	4.25	
Dual 2W/6W conference bridge	2.35	
Dual line amplifier	7.10	
Fuse distribution module	2.15	
Wescom 4UA-13 Universal Shelf	14.55	
<i>Cords</i>		
Block 13 ft. coloured or 14 ft. neutral, each (Note 1)	5.30	21.50
Handset — coiled 13 ft. each (Note 1)	5.30	21.50
Operator — coiled 10 ft. each (Note 1)	7.15	21.50
Operator — coiled 15 ft. each (Note 1)	11.45	21.50
Mounting cord for 6 button telephone:		
— 9 ft. each	39.15	21.50
— 13 ft. each	43.00	21.50
Block -- 25 ft. neutral (Note 1)	6.50	21.50

**Note 1:** Service charge will not apply if work is done at the same time on the telephone.

SECTION XII

Customer Provided Equipment	Monthly Rate	Service Connection Charge
<i>Telephone</i>		
Telephone approved for connection as is ( <b>Note 1</b> )		\$ 43.25
Telephone requiring modification ( <b>Note 1</b> )		107.50
Customer provided telephotograph equipment, operating in connection with individual line telephone service only. Requires protective connection equipment.	1.30	21.50
Key, if switching of telephone and protective-connection equipment is to be effected.	.85	
EC 30A Voice Coupler (CKPR Radio Station)	1.45	21.50
Customer provided voice-recording equipment, except in connection with public or semi-public service. Requires recorder-connector equipment supplying distinctive "beep" tone.	6.95	21.50
Customer provided data-transmitting and receiving equipment, operating in connection with individual line telephone service only. Requires data connector equipment (if system provides data-phone, also specific tariff, therefore shall apply).		
— — manual	5.30	43.25
— E/W automatic answering feature	10.00	43.25
Customer provided automatic answering equipment operating in connection with individual line or PBX service only. Requires voice-coupler equipment (QCS2B Coupler).	6.95	21.50
UAV-3N ESC-20721-1 (Elgin) voice station coupler (for customer provided dictation equipment).	11.95	21.50
Customer provided alarm detecting and sending device equipment, operating in connection with individual line or PBX service only. Requires alarm-coupler equipment.	6.95	21.50
Trouble found in customer owned equipment, each visit		43.25

**Note 1:** Existing monthly rental will apply.



## SECTION XIII

Arrangements for Data Transmission	Monthly Rate	Service Connection Charge
<i>Channels for Data Transmission</i>		
Channel-conditioning arrangements — same exchange		
— two point not arranged for switching	\$13.30	\$27.25
— type 4A conditioning, each channel	13.30	33.75
— type 4B conditioning, each channel	47.30	49.75
— type 4C conditioning, each channel	49.00	61.50
Channel conditioning between exchanges		
— type 4C conditioning	63.10	61.50
Conditioning to provide zero DB at 1000 Hertz	15.25	40.75
Special amplifier	15.25	51.25

SECTION XIV

PBX System -- Centrex	Monthly Rate	Minimum Monthly Charge	Service Connection Charge
<i>Centrex I</i>			
153 extension lines or less — each	\$ 19.35	\$1,936.25	\$ 21.50
154 extension lines or more			
First 500 extension lines, each	14.90	3,744.50	21.50
Next 1000 extension lines, each	17.40		21.50
Over 1500 extension lines, each	13.45		21.50
<i>Centrex II</i>			
153 extension lines or less — each	21.30	2,134.45	21.50
154 extension lines or more			
First 500 extension lines, each	16.45	4,119.10	21.50
Next 1000 extension lines, each	15.30		21.50
Over 1500 extension lines, each	17.40		21.50
Each telephone in excess of one on a line	2.00		21.50
Restricted extension	11.95		21.50
Centrex recorder intercept arrangement	5.05		30.75
<i>Immediate Ringing Feature</i>			
Initial 100 extension lines	31.50		
Each additional 100 extension lines	12.65		
<i>Data Set Direct Access to Wats on Centrex</i>			
Initial arrangement	69.45		102.25
Additional arrangement on same premises	10.10		102.25
Attendant's position	150.40		460.75
Attendant's transfer feature	2.80		3.00
Centrex console push-button access	4.80		46.25
Attendant camp-on — common equipment	5.30		15.25
Restrict dial access to and tandem arrange- ment of tie trunks	50.50		102.25
Transfer arrangement — foreign exchange Trunk to a remotely located telephone	12.65		61.50
Equivalent Service enlargement	49.75		205.00
Tie trunk network restriction	3.80		15.50
Tie trunk Toll Diversion — each system			
each location	94.65		

SECTION XIV (Cont'd)

PBX System Centrex	Monthly Rate	Service Connection Charge
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*Tie Trunks — Miscellaneous Arrangements*

(a) Tie trunks busy register	\$ 9.45	\$ 61.50
(b) Silence buzzers	3.80	122.75
Common equipment	5.05	51.25
Each group of tie trunks equipped	6.30	20.50
4-Wire tandeming with pad control		
Common equipment	5.05	
Each tie trunks terminator	12.65	23.00
Tie trunk multiples to push-button telephones		
Each tie trunk	4.40	30.75
Network Access Via 3-digit code on Centrex II		
Each tie trunk	9.45	40.75
Denial of dial access to tie trunks		
Each tie trunk	4.30	30.75
Sequence use of extension lines for dictation		
Recording	44.20	102.25
Diversion of dial access to WATS and foreign exchange — Each trunk group	11.40	61.50
Tie Trunk Terminal, each		
Outgoing dial	9.30	25.25
Incoming dial	20.85	25.25
Outgoing and Incoming dial	24.85	25.25
Manual appearance of dial or manual tie trunk	5.40	25.25
Secretarial hunting, each line	.65	25.25

## SECTION XV

Rental	Monthly Rate	Service Connection Charge
<b>Arrangements for Data Transmission</b>		
<i>Types of Data Sets</i>		
— N.E. 103A2 (300 B.P.S.)	\$ 39.75	\$ 74.75
— N.E. 202C (0-1800 B.P.S.)	74.60	153.75
— T 202E9 (0-1200 B.P.S.)	37.25	61.50
— T A201A3/4E (2000 B.P.S.)	149.25	307.00
— 202 S/T — 1200 B.P.S. to 1800 P.B.S. (ASYNC)	28.75	153.75
— 201 LSI — (2000 — 2400 B.P.S.)		
SYNCHRONOUS	124.35	245.50
— 201 CLSI (200 — 2400 B.P.S.) SYNCHRONOUS	56.70	245.50
— LDS-309 (Gandalf) Limited Distance, SYNCHRONOUS 9600 B.P.S.	24.30	61.50
— LDS-140 (Gandalf)	23.85	61.50
— No. 611 (Directran)	14.00	47.50
<i>Multicom II Service</i>		
Multicom II access (240 B.P.S.)	124.35	49.25
Associated T 201B3 Data Set with auxiliary TT set	155.45	307.00
Data connector equipment	5.25	37.00
Automatic exclusion	2.15	18.50
Network security		61.50
Unattended answer	10.60	24.50
Local loop around test circuit		61.50
ULK Special Assembly	12.75	38.50
<b>Arrangements for Data Transmission</b>		
<i>Voicecom I Access Line</i>		
Includes 1 FB + 6-10 dialer	111.85	40.75
Change location of data, multicom II and Voicecom I sets ½ regular service connection charge.		

Chairman



ONTARIO TELEPHONE SERVICE COMMISSION

ORDER NO. 4162

Wednesday, the 30th day of June, A.D. 1982.

BEFORE

V.W. Bielski, Q.C.	)	IN THE MATTER of sections 6(1), 12
Chairman, and	)	and 105 of The Telephone Act (R.S.O.
	)	1980, c.496),
D.A. Austin,	)	
Member.	)	and
	)	
	)	IN THE MATTER of an application by
	)	the Corporation of the Town of Kenora
	)	for approval to change the rates for local
	)	telephone service.

HEARD AT: Kenora, April 7th, 1982.

APPEARANCES

For the Town of Kenora:

D.T. McLeod, Chief Administrative Officer  
G. Hagar, Municipal Accountant  
G. Dunford, Inside Plant Manager

For Mr. Brandrick:

Mr. Brandrick.

## 1.0 ORDER

- 1.1 UPON THE APPLICATION of the Corporation of the Town of Kenora, hereinafter referred to as the Applicant, upon reading the application and other material filed, and upon evidence presented during the hearing,
- 1.2 THE COMMISSION AUTHORIZES, under and in pursuance of sections 6(1), 12, and 105 of The Telephone Act (R.S.O. 1980, c.496), the Applicant to increase local service rates to generate additional annual revenues of approximately \$51,192 based upon the number of local service revenue producing units as of December 31, 1981.
- 1.3 THE COMMISSION HEREBY ORDERS that the local service rates and non-recurring service charges in accordance with section 10.0 of this Order to become effective on or after July 1, 1982.
- 1.4 THE COMMISSION FURTHER ORDERS that the Applicant prepare and file with the Commission quarterly a schedule indicating the status of the investment portfolio, showing as minimum detail, the date of issue, description, amount and maturity date.

## 2.0 BACKGROUND

The Applicant filed an application which was accepted by the Commission in July, 1981, for approval to increase the local telephone rates and non-recurring service charges. It was estimated by the Applicant that the increase would result in additional annual revenues of approximately \$51,192 and would require an average rate increase of approximately 10.0 percent.

On August 7 and August 14, 1981, the Applicant placed a Notice of Application in the local newspaper which set out the present and proposed rates. Written interventions were to be filed with the Commission on or before September 11, 1981. There were no submissions as a result of the notices.

Notice of the Public Hearing to be held in Kenora on April 7, 1982 was placed in the Kenora Daily Miner and News on March 24 and 31, 1982. The hearing was held in Kenora on April 7, 1982 at 2:00 p.m., wherein the Commission was able to hear matters with respect to both the quality of service and the financial aspects. During the financial section of the hearing, the Applicant was directed to file a number of replies to questions which the Applicant could not answer during the hearing. The Commission's findings with respect to the financial aspects of the application are contained in sections 3.0 to 9.0 of this Order.

## 3.0 TEST YEAR

The use of a test year for a revenue requirement calculation permits the Commission and the Applicant to focus on a set of financial data for a particular operating period adjusted to annualize known changes which have occurred or which are expected to occur within the operating period. Factors which influence revenues and expenses within the test year should be annualized because a full year effect of any changes will be realized in future periods.

The Applicant used projected results in its application for the 1981 fiscal year as the basis for its test year. However, the Commission, because the actual results as presented by the financial statements would reflect more accurately the financial requirements of the Applicant, has determined that the 1981 actual fiscal year results represent the test year.

#### 4.0 REVENUES

##### 4.1 Local Service Revenue

The Applicant's 1981 financial statement shows local service revenues of \$665,322<sup>1</sup> which the Commission considers acceptable for use in this application.

##### 4.2 Toll Revenue

Toll revenue of \$562,619<sup>1</sup> determined from the 1981 was also accepted without adjustment.

##### 4.3 Coin and Non-recurring Service Charge Revenues

Coin telephone revenue from non-recurring service charges in the amounts of \$37,536<sup>1</sup> and \$44,350<sup>1</sup> respectively representing the 1981 results is used in determining the revenue requirement of the Applicant.

##### 4.4 Other Income

Other income of \$482,608<sup>2</sup> including investment income of \$411,664 is acceptable to the Commission.

##### 4.5 Summary of Revenues

Table 1 summarizes the revenues used in the determination of the revenue requirement.

TABLE 1  
Statement of Revenue  
1981 Test Year

Local Service	\$665,322
Toll Service	562,619
Coin Telephone	37,536
Non-recurring Service Charges	44,350
Other	482,608
Less: Uncollectible	(5,940)
	\$1,786,495

<sup>1</sup> Financial Statements of the Corporation of the Town of Kenora.

<sup>2</sup> Financial Statements of the Corporation of the Town of Kenora.

## 5.0 EXPENSES

### 5.1 Operating Expenses

The Commission has examined operating expenses for the 1981 test year and has required the Applicant to provide additional information regarding some items. As a result of this analysis and for the purpose of determining an additional revenue requirement, operating expenses are found acceptable with the exception of depreciation expense, and other expenses.

### 5.2 Uncollectible Revenue

The provision of Doubtful Accounts, as set up by the Applicant in the amount of \$5,940<sup>3</sup> is deemed to be acceptable in view of the collection policies of the Applicant.

### 5.3 Depreciation Expense

The Applicant calculates depreciation expense on its telephone plant at a rate of 8%.

The Commission, however, utilizing the schedules of asset additions and disposals as provided by the Applicant, recalculated on the straight line basis at a five percent (5%) composite rate the depreciation expense for 1981. This revised depreciation expense for 1981 is \$125,743, an adjustment of (\$29,551).

### 5.4 Other Expenses

The provision for Digital Multiplex Switching<sup>4</sup> equipment has been excluded in the calculation of the operating expenses for the 1981 test year inasmuch as the provision is an appropriation of surplus for capital expenditures which is not allowed, for rate-making purposes, in the calculation of the revenue requirement for the Applicant.

## 6.0 RATE BASE

The Commission, in examining the financial statements of the Applicant, and finding that it has no long-term debt, has determined to use the Applicant's accumulated equity of \$6,177,930 as the invested capital rate base for the purpose of determining a revenue requirement for this application.

## 7.0 RATE OF RETURN/REVENUE REQUIREMENT

Table 2 which summarized the Commission's adjustments arrives at the Revised Income for the test year. This Total Income of \$752,709<sup>7</sup> without considering any rate increase indicates that for the Applicant with a total capital of \$6,177,930<sup>8</sup> there would be a 12.2 per cent return on total capital.

The proposed rates of the Applicant would generate an additional \$51,192 to local service revenues.

<sup>3</sup> Financial Statements of the Corporation of the Town of Kenora.

<sup>4</sup> Exhibit 2, page 4.

<sup>7</sup> Table 2

<sup>8</sup> Section 6.0



The effect of including this additional revenue in the test year is reflected in Table 3. The rate of return on total capital adjusted to include effect of proposed rates as a result of the full inclusion of the Applicant's request is 12.9 percent. This return in the view of the Commission is reasonable and acceptable, considering the financial position and, structure of the Applicant.

TABLE 2  
INCOME STATEMENT  
1981 Test Year

	Financial Statement	Commission Adjustments	Revised Income Statement
1. Local Service	\$ 665,322		\$ 665,322
2. Toll Service	562,619		562,619
3. Coin Telephone	37,536		37,536
4. Non-recurring Service Charges	44,350		44,350
5. Other	482,608		482,608
6. Less: Uncollectible Revenues	(5,940)		(5,940)
7. <b>Total Revenue</b>	<b>\$1,786,495</b>		<b>\$1,786,495</b>
8. Maintenance	613,785		613,785
9. Marketing and Commercial	15,000		15,000
10. General Office	223,476		223,476
11. Other	250,000	(250,000) <sup>5</sup>	—
12. Depreciation	155,294	( 29,551) <sup>6</sup>	125,743
13. Gross Receipts Tax	55,782		55,782
14. <b>Total Operating Expenses</b>	<b>\$1,313,337</b>	<b>\$ (279,551)</b>	<b>\$1,033,786</b>
15. <b>Net Income</b>	<b>\$ 473,158</b>	<b>\$ (279,551)</b>	<b>\$ 752,709</b>

<sup>5</sup> Section 5.4

<sup>6</sup> Section 5.3

**TABLE 3**  
**INCOME STATEMENT WITH PROPOSED RATES**  
**1981 Test Year**

1.	Local Service	\$ 716,514
2.	Toll Service	562,619
3.	Coin Telephone	37,536
4.	Non-recurring Service	44,350
5.	Other	482,608
6.	Less: Uncollectible Revenues	(6,400)
7.	<b>Total Revenue</b>	<b>\$1,837,227</b>
8.	Maintenance	613,785
9.	Marketing and Commercial	15,000
10.	General Office	223,476
11.	Other	
12.	Depreciation	125,743
13.	Gross Receipts Tax	58,342
14.	<b>Total Operating Expenses</b>	<b>\$1,036,346</b>
15.	<b>Net Income</b>	<b>\$ 800,881</b>

## 8.0 QUALITY OF SERVICE

The Commission has not received any service complaints from customers of the Applicant, nor were any written submissions received against the proposed rate increase as outlined in the application.

The Commission is aware of the Applicant's construction program to maintain its system and to implement digital equipment at the time when the present equipment reaches full capacity.

The Applicant is commended on its planning process but the Commission expects the Applicant to remain cognizant of the needs of the subscribers and continue to inform them of future plans.

The Applicant is requested to keep the Commission informed of any changes in the proposed digital program.

## 9.0 COMMENT

During the processing of the rate application, the Commission required the Applicant to respond to a number of interrogatories regarding the financial results for the current year. These interrogatories were designed to ascertain whether or not the Applicant had done an adequate and satisfactory job of forecasting.

The wide variance in the net income from the initial filing of \$105,000<sup>9</sup> to that estimated and eventually being the 1981 year end amount of \$473,158, necessitated the Commission to deliberate on the application in view of actual results rather than projected.

The Commission suggests that the Applicant review its budgetary process, especially if rate applications are going to be filed in the same manner.

## 10.0 RATES

These rates will be consistent for Kenora, Coney Island and Lake Lines.

### 10.1 Basic Service

### Monthly Rate

Individual Line — Commercial	\$ 8.80
Individual Line — Residence	4.40
Two Party Line — Commercial	—
Two Party Line — Residence	3.30
Trunk Line — Commercial	12.00
Push Button Service per Telephone	
— Commercial	2.00
— Residence	2.00
Toll Denial	1.40
Short Term Telephone	2 mos. min. + S.C.C.
Temporary Suspension of Service	½ monthly rate
Extension Telephone — Commercial	1.50
Extension Telephone — Residence	1.10
Off Premises Extension — Add Mileage — (Answering Service Lines considered off premises extension)	
Extra Listings	.45
Non Pub Service	1.00
Joint User	3.00
Public Telephone (Pay Station)	.10 per call
Semi-Public Telephone (Pay Station not accessible to general public)	12.00 month (Guarantee)

## 10.2 Non-Recurring Service Charges

	Service Charge
<i>Service Connection Charge — Commercial</i>	
Central Office Line including 1 telephone	\$25.00
Party Line Service including 1 telephone	25.00
Trunk Line	25.00
Take Over Working Line (name change)	10.00
To extend a Working Line to an Answer Board	10.00
Reconnect Temporary Suspension	10.00
Restore Service after Suspension (i.e., Non-pay)	10.00
<i>Service Connection Charge for Extension Phones</i>	
Extension telephone	10.00
PBX Extension including 1 telephone	10.00
PBX Extension in excess of 1 telephone	10.00
Off Premise Extension	20.00
<i>Other Work (Commercial or Residence)</i>	
Change Telephone Instrument at customer request	10.00
Change Location on same premises	10.00
Miscellaneous Equipment not covered	
Change Extension from one line to another	10.00
Change PBX Extension from Restricted to Unrestricted — (vice-versa)	10.00
Change one Termination to another	10.00
Change any Line from One Answer Board to another	20.00
Change Telephone Number at customers request	10.00
<i>Service Connection Charge — Residence</i>	
Provide one or more C.O. Lines plus telephone	15.00
Take over Working Service (name change)	10.00
Re-connect Temporary Suspension	10.00
<i>Extension Telephones</i>	
Provide each Extension Telephone	10.00
For other Work Performed on customer premises (each unit)	10.00
(* First extension installed at time of main telephone — N/C each additional extension ½ S.C.C.)	
<i>Restoration of Service</i>	
To restore service after disconnect for violation of regulation and/or non-payment of account	10.00



**10.3 Auxiliary Services**

	Monthly Rate	Service Charge
<b>Private Branch Exchanges</b>		
<i>Manual Systems:</i>		
Cordless No. 507B each position		
NE Type 555: Capacity 60 Ext. (30)	\$18.50	\$ 75.00
NE Type 555: Capacity 120 Ext. (40)	23.50	75.00
<i>Dial Systems:</i>		
Switchboard Consoles — cordless		
— 1 — 50 lines	18.70	120.00
— over 50 lines	24.00	175.00
Switching Equipment (Common Control)		
— 1 — 50 lines	25.00	350.00
— 51 — 100 lines	25.00	350.00
Switching Equipment (Electronic)		
— 1 — 50 lines	25.00	350.00
— 51 — 100 lines	25.00	350.00
<i>PBX Extensions:</i>		
Manual — without dial	.90	10.00
— with dial	1.50	10.00
Dial Systems Common Control (Min. charge 21 Ext.)	5.00	10.00
Dial Systems Electronic (Min. charge 35 Ext.)	5.00	10.00
Telephones Equipped for Touch Tone Calling	5.00	10.00
Telephones Equipped for Digipulse Calling	2.00	10.00
<b>Additional Features PBX</b>		
Busy Lamp Field Common Control (each Unit 50)	8.25	75.00
Busy Lamp Field Electronic (each Unit 50)	8.25	75.00
Dial Access Terminal Paging	5.00	10.00
Night Answer Arrangement	3.00	10.00
Tie Trunk Terminal, each		
— Manual	3.60	10.00
— Outgoing	7.20	10.00
— Incoming	14.40	10.00
— Outgoing + Incoming Dial	18.00	10.00
— Tandem Operation	14.40	10.00
Emergency Power		
— Common Control	28.00	90.00
— Electronic	89.00	90.00
Toll Restriction or Denial per trunk	3.80	10.00
Toll Restriction or Denial for Locals — (Electronic only)	5.00	10.00

### 10.3 Auxiliary Services (Cont'd)

	Monthly Rate	Service Charge
<b>Conference Equipment</b>		
Manual 5 line capacity	\$ 5.00	\$10.00
<i>Dial Conference Equipment</i>		
5 line capacity (SXS and Common Control)	4.50	10.00
10 line capacity (SXS and Common Control)	9.60	10.00
5 line capacity (Electronic)	11.50	10.00
<i>Dial PBX Dictation Recording Terminal</i>		
With SXS PBX	19.25	10.00
With other PBX	32.50	10.00
<i>PBX Hotel/Motel</i>		
Regular rates apply for switchboards and switching equipment trunk lines (see basic rates)		
PBX Locals (Administrative)		
— Common Control (min. charge 21 locals)*	5.00	10.00
— Electronic (min. charge 35 locals)*	5.00	10.00
PBX Locals (Non-Administrative)		
— Common Control (min. charge 21 locals)*	2.50	10.00
— Electronic (min. charge 35 locals)*	2.50	10.00
Single Digit Dial Terminal	4.00	61.50
<i>Message Register</i>		
Reset Type	.50	
Common Equipment (each group of 50)	70.00	52.00
<i>Message Waiting</i>		
Each telephone	.70	
Common equipment	17.75	52.00
<i>Call Answering Board</i>		
Position equipped for		
— 1 to 40 lines	45.00	75.00
— 41 to 100 lines	60.00	85.00

\* Combined

### 10.3 Auxiliary Services (Cont'd)

	Monthly Rate	Service Charge
<b>Push Button Telephone Systems</b>		
<i>1A1 Key Telephones</i>		
C.O. trunks	\$ 8.80	\$25.00
Six button set	6.00	10.00
Logic 10 set	9.70	30.00
Logic 20 set	15.00	40.00
SM1 set	16.50	40.00
Dial I/C	10.00	30.00
Exclusion feature	.35	10.00
<i>Tri-Line Telephones</i>		
C.O. trunks	8.80	25.00
Telephones	2.50	10.00
Manual I/C	1.75	10.00
<i>SK1 Telephones</i>		
C.O. trunks	8.80	25.00
Telephones	4.00	10.00
Manual I/C	1.75	10.00
<i>Cut Off and Exclusion Feature</i>		
— Manual cut off (each)	.45	10.00
— Manual exclusion (each)	.45	10.00
<i>Automatic Exclusion</i>		
— Each line or telephone	1.50	10.00
<i>Busy Lamp Cabinet (Key System)</i>		
— 12 lamps	3.80	50.00
— 24 lamps	5.05	88.00
— Logic busy station	3.45	88.00
<i>Special Key Telephone Units</i>		
Busy Line Lamp Control Relay (each circuit)	1.65	10.00
2A-KTU (battery for paging system)	1.00	10.00
AK4 relay	1.00	10.00
219-AKTU (repeater)	7.40	10.00
227-BKTU (sequential hunt)	2.55	10.00
229-KTU (line transfer relay)	1.75	10.00
Delayed ring transfer unit QUN-20A	1.95	10.00
10 AKTU (auto exclusion unit)	1.75	10.00

### 10.3 Auxiliary Services (Cont'd)

	Monthly Rate	Service Charge
Intercom Circuits with Dial Signalling		
Dial Selective Signalling Unit		
Dial Type		
— First 10 dial codes or less	10.00	32.00
— Additional dial code unit		10.00
-- Each additional dial code	.85	
— Busy tone feature	4.00	10.00
— Busy tone feature with flashing lamp	5.75	10.00
— Intercom conversion bell relay (12 volt)	.30	10.00
Add-On Conference Feature		
Each C.O. line or PBX extension line	2.35	10.00
Each telephone equipped for Add-on	1.30	10.00
Manual I/C	1.75	10.00
Paging Systems		
Amplifiers (under 25 Watts)	10.00	20.00
Amplifiers (25 - 75 Watts)	10.00	20.00
Loud speakers (low output)	1.75	10.00
Loud speakers (medium output)	1.75	10.00
Loud speakers (high output)	3.00	10.00
Business Interphone		
Initial business interphone telephone (basic equipment)	12.30	25.00
Additional telephone equipped for business interphone — each	1.45	10.00
Loud speaker — microphone		
— indoor (each)	1.45	10.00
— outdoor (each)	2.05	10.00
Local Mileage		
Voice Grade Channels (Main Cable)		
First ¼ mile	2.20	15.00 R 25.00 C
Each additional ¼ mile	.85	
	Min. \$5.00/mo.	
Circuits Between Buildings on Continuous Property		
First 10 circuits (max. ¼ mile run) each	.85	25.00
Next 15 circuits (mas. ¼ mile run) each	.60	25.00
Circuits in excess of 15 (max. ¼ mile) each	.25	25.00
Individual circuits between points on same property, each	2.00	25.00

R - Residential  
C - Commercial



## 10.3 Auxiliary Services (Cont'd)

	Monthly Rate	Service Charge
<b>Telephone Station Equipment</b>		
Contempra telephones	1.00	10.00
Dawn telephones (e/w gold ring)	2.00	10.00
Doodle telephones (e/w 1 pad, 1 pencil)	1.80	10.00
Logic 10	9.70	30.00
Logic 20	15.00	40.00
Two line telephone	1.00	10.00
Tri line telephone	2.50	10.00
Speaker phone and Companion 2	8.00	10.00
Speaker phone Companion 1	4.50	10.00
Touch tone service (each extension)	2.00	10.00
Digipulse (except key set and PBX)	2.00	10.00
2 line key	.75	10.00
3 line key	1.00	10.00
Secretarial answering units		
— 10 line	12.00	30.00
— 20 line	22.00	40.00
Single line hold button	1.00	25.00 max.
<i>Decorator Telephones</i>		
— Chest telephone	5.00	10.00
— Antique telephone	5.00	10.00
— Antique wooden wall telephone	5.00	10.00
— Candlestick telephone	4.00	10.00
<i>Special Telephones</i>		
— Telephone with explosive atmosphere feature	7.65	10.00
— Telephone (outdoor weatherproof)	1.90	10.00
— Telephone (building elevator)	6.40	10.00
— Pedestal	1.80	10.00
— Handset e/w volume control		
— Hearing	1.75	10.00*
— Speech	1.75	10.00*
— Noisy location (special T.X.)	1.00	10.00
— Electronic sentry	16.00	10.00
<i>Automatic Dialer</i>		
Tele-dialer logic	7.75	10.00 R 15.00 C
Tele-dialer 32	7.75	10.00 R 15.00 C

\* No. S.C.C. with medical request.

R - Residential

C - Commercial

### 10.3 Auxiliary Services (Cont'd)

	Monthly Rate	Service Charge
<b>Telephone Station Equipment</b>		
<i>Automatic Answer and Record Equipment</i>		
Answer & recording equipment — 2 hr. capacity	20.00	10.00 R 15.00 C
Answer & record 30 sec. announcement — 20 min. messages with remote playback	30.00	10.00 R 15.00 C
<b>Other Equipment</b>		
Jack & plug equipment (each jack)	.50	10.00
Weather proof jack	1.00	10.00
Direct lines	10.00	50.00
Push button and buzzer or No. 7 bell	.40	10.00
Extension bell (regular)	.55	10.00
Extension bell (loud gong)	.80	10.00
Bell chime	1.00	10.00
Lamp signals (1 lamp)	.45	10.00
Lamp signals (2 lamp)	.70	10.00
Lamp signals (3 lamp)	.90	10.00
<i>Commercial Power Signals</i>		
Telecode relay	1.50	10.00
Bell vibrating — 8 inch	1.50	10.00
Bell vibrating — 10 inch	2.75	10.00
Horn — indoor	2.30	10.00
— outdoor	2.75	10.00
<i>Head and Handsets</i>		
One supplied N/C with each attendants position or console		
Each additional headset	1.20	
Each additional handset	1.30	
Lightweight headset	5.50	

### 10.3 Auxiliary Services (Cont'd)

	Monthly Rate	Service Charge
<b>Other Equipment</b>		
<i>Cords*</i>		<b>Non-recurring Charge</b>
Line 13 ft.	4.00	10.00
Line cord 25 ft.	4.50	10.00
Handset coiled 13 ft.	4.75	10.00
Operator coiled 10 ft.	6.50	10.00
Operator coiled 15 ft.	10.50	10.00
Line cord for 6 button set — 9 ft.	30.00	10.00
— 13 ft.	36.00	10.00
Cords replaced for non-recurring charge only		
Coloured sets	10.00	
<b>Customer Provided Equipment</b>		
Telephone approved for connection as is	**	25.00

\* S.C.C. for cords does not apply if ordered at time of original installation.

\*\* Existing monthly rental will apply.





ONTARIO TELEPHONE SERVICE COMMISSION

ORDER NO. 4167

Friday, the 23rd day of July, A.D. 1982

B E F O R E

V.W. Bielski, Q.C.	)	IN THE MATTER of sections 6(1),
Chairman,	)	14, 89 and 94 of The Telephone Act
	)	(R.S.O. 1980, c.496),
F. Wall,	)	
Vice Chairman,	)	and
	)	
M. E. Parry,	)	IN THE MATTER of an application
Member, and	)	by the Wildwood Campers Association
	)	in regard to the setting of terms and
G. Klosler,	)	conditions for the provision of tele-
Member	)	phone service by the Tuckersmith
	)	Municipal Telephone System.

HEARD AT: Toronto, July 15, 1982

APPEARANCES

Wildwood Campers Association:	Mr. M. Ducharme
Tuckersmith Telephone System:	Mr. M. Graham, Secretary-Treasurer
	Mr. L. Ferguson, Director
	Mr. E. Hayter, Director
	Mr. W.D. Wilson, Director

## 1.0 ORDER

- 1.1 UPON THE APPLICATION of the Wildwood Campers Association, hereinafter referred to as the Applicant, upon reading the said application and evidence presented during the hearing,
- 1.2 THE COMMISSION HEREBY ORDERS, under and in pursuance of sections 6(1), 14, 89 and 94 of The Telephone Act (R.S.O. 1980, c.496), that Tuckersmith Municipal Telephone System, hereinafter referred to as the Telephone System, provide telephone service to the Applicant as so requested.
- 1.3 THE COMMISSION FURTHER ORDERS that the Telephone System shall secure a deposit of up to \$500.00 from the Applicant before the provision of telephone service by the Company according to the following conditions:
  - a) the customer shall be notified of the deposit request and further that such deposit will earn interest at an average rate paid by Canadian Charter banks on savings accounts for the period that the deposit is retained.
  - b) the customer's credit rating shall be reviewed from time to time, but no later than twelve months from the date service was provided, and once the customer's credit is satisfactorily established, the amount of the customer's deposit and any interest accrued thereon will either be credited to the customer's account or refunded directly to the customer on the customer's request.

## 2.0 REASONS

On June 28, 1982, the Applicant filed with the Commission its application requesting that the Telephone System provide telephone service upon such terms and conditions to be determined by the Commission.

Based on the evidence filed and presented during the hearing by the Applicant and the Telephone System, it is important to note herein the sequence of events and, in particular, the circumstances as to the Applicant, the Telephone System, and a third party, to be herein called Mr. Lehn.

In 1976, the Telephone System was requested to provide basic telephone service in a private park in its territory by a new customer. The customer was Mr. Lehn, who was the owner and operator of the park, known then as the Yogi Bear Campsite. The Telephone System installed a cable in the area to provide the basic telephone service as applied by Mr. Lehn.

In 1977, the Telephone System also installed a key system with five extensions and three PBX lines in the Campsite as applied for by Mr. Lehn. Also the Telephone System received payment of its billings consisting of monthly rates plus toll.

In 1978, the Telephone System installed a WATS line in the same area, as applied for by Mr. Lehn, as well as additional cable in order to connect with a trunk line for the added facilities. Three months after the installation so provided, Mr. Lehn requested to disconnect all the telephone service in the Campsite including the key system, extensions, and the WATS line.

In 1980, Mr. Lehnert re-applied for telephone service for the same Yogi Bear Campsite so re-named Wildwood on the River. As requested, the Telephone System installed again a key system and extensions but in different locations than those in 1978 within the Campsite. It is further noted that the monthly billings consisting of a monthly rate of \$129.90 plus considerable toll, were paid by the customer, Mr. Lehnert, to the Telephone System in 1978 to 1980.

In October 1981, the Telephone System did not receive the payment of the billings from Mr. Lehnert. The monthly billings continued being unpaid from October onwards, notwithstanding the 30-day notice to pay on each monthly billing.

By February 1982, four months after the initial unpaid billings an outstanding debt of \$5,800.00 was still unpaid by Mr. Lehnert. At that time the Telephone System disconnected all services pursuant to section 89(3) of the Telephone Act, after giving proper seven days notice in writing to the customer.

The relationship between the Applicant, and Mr. Lehnert, owner and operator of Wildwood on the River Campsite, must be so noted. As previously described, Mr. Lehnert was the owner and operator of a private park, who leased lots with an option to purchase, and provided many facilities for the residents of the park lots. The Applicant, an incorporated body, is the organization of the residents of the park.

The Applicant so represented by Mr. M. Ducharme at the Commission hearing was for some time concerned with the affect of the financial problem of Mr. Lehnert in regard to the operation of the park. As a result an agreement was reached between the Association and Mr. Lehnert, whereby the Association is to be responsible for the provision of all services including telephone service to the park facilities. In short, the Applicant is to take over Mr. Lehnert's business operation in the Campsite.

In January of 1982, the Applicant applied, as a new customer, to the Telephone System for the provision of telephone service in the same area which had been provided to Mr. Lehnert. Up to the time of the Commission hearing, the Telephone System had not provided telephone service.

In light of all information, the Commission concluded that there is no dispute per se as to telephone service between the Applicant and the Telephone System. The only reason telephone service was not provided to a new customer in the specific area was because of the default of payment of accounts by the previous customer served in the same area and for the same telephone service. As Mr. Graham, witness for the Telephone System, stated "I can assure you we would like to provide telephone service. I think you can see our point too. We have nothing against the Campers Association, but we thought we done our point. It cost a lot of money to provide service in there, but somehow we have got to collect it." In this regard, the Commission concluded that there is no reason why the Telephone System should not, pursuant to section 89(1), provide the telephone service to the Applicant, as so requested.

The Commission appreciates that the Telephone System in order to accommodate all requests of Mr. Lehnert for service has encountered much undue burden and financial risks. The Applicant has undertaken to carry on all the operations in the park as provided by the previous customer, which entails similar financial risk.

Due to the circumstances, the Commission concluded that a security deposit of an amount up to \$500.00 would give the Telephone System the assurance that it needs in order to provide telephone service to the Wildwood on the River Campsite.

However, the Commission also realizes that the new customer, Wildwood Campers Association, must be provided with a telephone service.

Chairman



ONTARIO TELEPHONE SERVICE COMMISSION

ORDER NO. 4187

Wednesday, the 3rd day of November, A.D. 1982

B E F O R E

V.W. Bielski, Q.C.	)	IN THE MATTER of sections 6(1),
Chairman	)	15 and 21 of The Telephone Act
	)	R.S.O. 1980, c.496)
F.D. Wall	)	
Vice Chairman	)	and
	)	
E.A. Frith	)	IN THE MATTER of a Uniform
Member	)	System of Accounts for the
	)	Telephone Systems in Ontario
M.E. Parry	)	
Member	)	
	)	
G. Klosler	)	
Member, and	)	
	)	
D. Austin	)	
Member	)	

HEARD AT: Toronto, November 3, 1982

## 1.0 ORDER

- 1.1 WHEREAS THE COMMISSION, upon its own motion, initiated the development of a system of accounts to permit the filings to the Commission by the telephone systems in Ontario to be on a uniform basis.
- 1.2 AND WHEREAS, after having considered the concerns and responses of the representatives of the telephone systems in Ontario, the Commission determined it expedient to introduce a 'Uniform System of Accounts'.
- 1.3 AND WHEREAS THE COMMISSION, deems that a 'Uniform System of Accounts' will assist in any necessary inquiry as to the determination of the level and the sufficiency of rates.
- 1.4 THE COMMISSION HEREBY DIRECTS, under and in pursuance of sections 6(1), 15, and 21 of The Telephone Act, (R.S.O. 1980, c.496), that the telephone systems under its jurisdiction and identified in accordance with the particulars of General Instruction 01.1, annexed hereto as Appendix A, shall use the 'Uniform System of Accounts' as issued by this Commission.
- 1.5 THE COMMISSION FURTHER DIRECTS, the telephone systems in Ontario to take the necessary steps to implement the Uniform System of Accounts be in effective use by the appropriate systems by January 1, 1984, or one full year after a telephone system's next fiscal year end. if the year end is different than December 31, 1982.

## 2.0 REASONS

- 2.1 THE COMMISSION, recognizing the need for uniformity and comparability in the accounting policies and practices of the telephone systems under its jurisdiction, embarked upon a program of introducing the 'Uniform System of Accounts' to the systems.

A feasibility study of June 1977, prepared on behalf of the Commission, recommended the 'Uniform System of Accounts' be developed using the 'Uniform System of Accounts' of the Federal Communications Commission as a basis. In the year 1979, a study paper was released attempting to identify the major issues as related to the 'Uniform System of Accounts'. The first draft of the Commission's 'Uniform System of Accounts' was issued in August, 1980, and after considering the comments of the telephone systems represented by their Association, (Ontario Telephone Association), the second draft was issued in November, 1981.

- 2.2 The annual reports filed in conjunction with the 'Uniform System of Accounts', will expedite the rate application process and assist the Commission in determining rates that are just and equitable.
- 2.3 The 'Uniform System of Accounts' introduced at this time will allow for a period of implementation, whereby revisions can be made by the Commission both as the results of its own review and at the recommendation of the telephone systems. This revision process would extend beyond January 1, 1984, to allow for changing accounting policies and practices and industry requirements.

## APPENDIX "A"

### 01. GENERAL INSTRUCTIONS

#### 01.1 Designation of Classes

For accounting purposes, telephone companies are designated into classes as follows:

- (a) *A Class 1* telephone system is one which has 4,000 or more main stations;
- (b) *A Class 2A* telephone system is one which has between 2,500 and 4,999 main stations (inclusive);
- (c) *A Class 2B* telephone system is one which has between 1,500 and 2,499 main stations (inclusive); and
- (d) *An Exempt* system is one which has less than 1,500 main stations.

The initial classification of a system shall be based on the data as of the end of its fiscal year nearest the date of the adoption of the USOA. In the case of a telephone system which, based on the data for a fiscal year, meets the criteria of a class different from its original classification on that date, it shall have two years from the date of reclassification to satisfy the requirements of this regulation.



INTERIM ORDER NO. 4188

Thursday, the 18th day of November, A.D. 1982

B E F O R E

V.W. Bielski, Q.C.	)	IN THE MATTER of sections 6(1),
Chairman	)	15, 21 and 91 of The Telephone
	)	Act (R.S.O. 1980, c.496),
E.A. Frith	)	
Member, and	)	and
	)	
D.A. Austin	)	IN THE MATTER of the inter-
Member	)	connection of customer provided
	)	terminal equipment to the facili-
	)	ties of the telephone systems
	)	subject to the jurisdiction of
	)	Ontario

HEARD AT: Toronto, June 23, 24, 1982.

APPEARANCES AND WITNESSES

For Canadian Business Equipment Manufacturers Association (CBEMA)	:	G. Murray, IBM Canada Limited F. Paine, Honeywell L. Goddard, Dictaphone Canada Limited K. Lees, IBM Canada Limited
For Canadian Federation Communications Workers (CFCW)	:	B. Mather, Federal Chairman
For Canadian Radio Common Carriers Association (CRCCA)	:	D. Grandstone, Treasurer and Director M. Batten, Association Manager E. Cockle, Director



APPEARANCES AND WITNESSES (Cont'd)

For CNCP Telecommunications	:	H. Marr T. Moore
For the Corporation of The City of Thunder Bay	:	A.M. Hawkins, Manager, Telecommunications Department
For Consumer and Corporate Affairs Canada	:	B. Finlay, Counsel D. Shires C. Zielinski, Attorney, Wald, Harkrader and Ross
For International Brotherhood of Electrical Workers Local 339	:	M. Skillen, President Local 339
For Joint Submission – Durham Telephones Limited/Hurontario Telephones Limited/ North Norwich Municipal Telephone System	:	J.E. Downs, General Manager, Durham Telephones Limited A. Williams, General Manager North Norwich Municipal Telephone System
For Mid Canada Phone Systems	:	E. Kannen, President D. Gray, Director, Technical Services
For Northern Telephone Limited	:	M.W. Cooper, President and General Manager M.C. Rand, Counsel
For Ontario Hospital Association	:	P. Wood, Ass't. Executive Director, Communications
For Ontario Telephone Association	:	K.V. Stevens, President L. Mardlin, Director J.W. Dunn, General Manager and Secretary

## 1.0 ORDER

- 1.1 WHEREAS the Commission has been cognizant of the customer provided terminal equipment to the facilities of Bell Canada in Ontario;
- 1.2 AND WHEREAS the Commission has been cognizant of a change in attitudes and opportunities of telephone customers in Ontario for the interconnection of customer provided terminal equipment;
- 1.3 AND WHEREAS there has been an increasing number of applications filed pursuant to section 91 of The Telephone Act for the interconnection of specific makes and types of terminal equipment;
- 1.4 AND WHEREAS the Commission, upon its own motion, determined that it was appropriate to examine the issue of the interconnection of customer provided terminal equipment to the facilities of the telephone systems subject to the jurisdiction of Ontario;
- 1.5 AND WHEREAS, the Commission, upon reading the submissions and other material filed from interested parties, and upon the evidence presented during the hearing;
- 1.6 THE COMMISSION AUTHORIZES, on an interim basis, under and in pursuance of sections 6(1), 15, 21 and 91 of The Telephone Act (R.S.O. 1980, c.496) the interconnection of customer provided terminal equipment to the facilities of the telephone systems in Ontario in accordance with the following terms and conditions:
  - 1.6.1 The customer provided terminal equipment and connecting device have received certification under the Government of Canada, Department of Communications, Terminal Attachment Program and/or have been certified to meet Part 68 of the Rules and Regulations of the Federal Communications Commission of the United States of America.
  - 1.6.2 The customer provided terminal equipment is appropriately equipped to interface with the telephone system by means of (a) a connecting device compatible with the telephone system provided connecting device or (b) an acoustical or induction connection in which case condition 1.6.1 is not applicable.
  - 1.6.3 The customer provided terminal equipment is for use on individual lines only and not party lines.
  - 1.6.4 The customer provided terminal equipment is for use on residential lines and business lines provided by a telephone system as listed in Appendix 1 of this Order or for use on residential lines only, provided by a telephone system as listed in Appendix 2 of this Order.
- 1.7 THE COMMISSION ORDERS that any telephone system selling terminal equipment maintain accounting records and documentation for the sale and costing of such equipment which will allow the Commission to determine the impact on the telephone customers from such sales.
- 1.8 THE COMMISSION FURTHER ORDERS that the telephone system provide the necessary inside wiring, including the connecting device(s) and, in the case of single

line service, a telephone set, to every customer wishing to interconnect customer provided terminal equipment, at rates approved for such services.

- 1.9 THE COMMISSION DIRECTS that the telephone systems shall continue to apply the existing rates and charges which have received the approval of the Commission and the telephone systems shall continue to fulfill their obligation to furnish continuous telephone service that adequately and efficiently meets the needs of the public in the territory in which it operates, pursuant to section 89(1) of The Telephone Act (R.S.O. 1980, c.496).
- 1.10 THE COMMISSION INVITES written submissions on or before January 31, 1983 from any interested party regarding the issue of rate unbundling.

## 2.0 REASONS

Since 1979, there has been an increase in the number of applications made pursuant to section 91 of The Telephone Act for the interconnection of customer provided terminal equipment. Without exception these applications have been reviewed on an individual basis and the Commission has provided an opportunity for interested parties to intervene. In August 1980, the Canadian Radio-television and Telecommunications Commission (CRTC) issued Telecom Decision 80-13 which set out the requirements for the attachment of customer provided terminal equipment to Bell Canada's telephone network. Although the CRTC decision had no application to the customers served by the independent telephone systems in Ontario, the Commission recognized the change in attitudes and expectations of the customers served by the independent telephone systems. On November 12, 1981, Order No. 4090 was issued which revoked Commission Order No. 2612 dated January 21, 1970. It was the Commission's view that the requirements and conditions for interconnection which were specified in Order No. 2612 were in the public interest during the early 1970's but were no longer appropriate for the telecommunications environment of the 1980's. In Order No. 4090, the Commission concluded by stating:

The Commission believes that a complete re-examination of all current issues regarding terminal interconnection will be beneficial for the customers served by the telephone systems per se. In this regard it is the Commission's intention to hold a public hearing in the Spring of 1982, and to encourage the participation of all interested parties.

During November, 1981, notices were placed in newspapers throughout Ontario and particularly in those regions served by the telephone systems. Interested parties were invited to identify and submit issues relevant to terminal interconnection by December 31, 1981.

The Commission also mailed a copy of the notice to each of the 31 independent telephone systems with a covering letter which specifically requested their views and comments on the issues related to terminal interconnection. Numerous written submissions were received and carefully reviewed by the Commission. Those interested parties who submitted written comment were identified as parties of record. In February 1982, the Commission published in newspapers throughout Ontario a list of seven issues which were to be examined during the public hearing and tentatively scheduled a public hearing commencing on June 23, 1982.

All parties of record received from the Commission a copy of the issues as were each of the telephone systems and, in a covering letter, the Commission requested written comments regarding the issues prior to April 30, 1982. The seven issues were as follows:

- (1) Whether or not or to what extent the attachment of customer provided terminal devices is in the public interest and if so, the appropriate scope and phasing in of customer provided terminal attachment.
- (2) The impact of customer provided terminal attachment on the needs of telephone subscribers, carrier responsiveness and the quality of service generally.
- (3) The impact of customer provided terminal attachment on the revenues, the costs and the rates of the telephone systems.
- (4) The effect of customer provided terminal attachment on telecommunication manufacturers and suppliers.
- (5) The technical standards and the method of compliance which should apply to customer provided terminal devices.
- (6) The rules governing the participation of a telephone system or subsidiary of a telephone system in the market for the provision of customer provided terminal devices.
- (7) The nature and extent of the Commission's jurisdiction to make orders dealing with customer provided terminal attachment particularly with respect to the current tariffs of the telephone systems under Commission jurisdiction and other questions of law.

Written submissions were received from a number of the parties of record and copies were made available to all parties of record in preparation for the public hearing which was to commence on June 23, 1982 in Downsview. Interested parties who attended and participated during the hearing were:

Canadian Business Equipment Manufacturers Association (CBEMA)  
Canadian Federation Communications Workers (CFCW)  
Canadian Radio Common Carriers Association (CRCCA)  
CNCP Telecommunications  
The Corporation of the City of Thunder Bay  
Consumer and Corporate Affairs Canada  
International Brotherhood of Electrical Works Local 339  
Joint Submission of: Durham Telephones Limited  
                                    Hurontario Telephones Limited  
                                    North Norwich Municipal Telephone System  
Mid Canada Phone Systems  
Northern Telephone Limited  
Ontario Hospital Association  
Ontario Telephone Association



The Commission has reviewed the submissions and considered the proposals presented by interested parties. After careful deliberation by the Commission, it is the decision of the Commission that this Interim Order is not only appropriate but essential. In this regard, the Commission has approved on an interim basis, as a broad policy, the interconnection of customer provided terminal equipment to the facilities of the telephone systems in Ontario subject to the conditions stated in Section 1.6 of this Order. More specifically, it is required that certain terms and conditions be met in respect to terminal interconnection in order that telephone service is made adequately and efficiently available to the public. In particular, the Commission wishes to monitor and assess the possible impact that terminal interconnection may have on local service rates for telephone service provided by relatively small telephone systems. For this reason, the Commission has in this Order differentiated between smaller systems with generally fewer than 1500 main stations and larger systems with generally more than 1500 main stations. In the interim and until the Commission finalizes its evaluation of the interconnection issues, business customers will not be permitted to interconnect customer provided terminal equipment to the network of a telephone system listed in Appendix 2 of this Order. Notwithstanding this condition the Commission will continue to accept and review applications made pursuant to section 91 of The Telephone Act for the interconnection of any specific makes and types of terminal equipment to a business line provided by a telephone system with fewer than 1500 main stations during the interim period which this Order will be in effect.

The decision to differentiate between larger and smaller systems was made having regard to the Commission's decision adopting the Uniform System of Accounts. It was the Commission's opinion that systems with less than approximately 1500 main stations would have insufficient resources to administer the Uniform System of Accounts. Similarly, the Commission is of the view that relatively small telephone systems may not have the resources to deal with the potential consequences of terminal interconnection in a timely fashion. More importantly, it is the Commission's view that if terminal interconnection should create any upward pressure on telephone rates, it may be the customers served by the small systems who will be affected to the greatest extent. If, during the interim period, telephone systems with less than 1500 main stations have any evidence, circumstantial or otherwise, which is relevant to this issue, the Commission will accept and consider a submission before rendering a final decision.

Appendix 1 to this Order lists the telephone systems with 1500 or more main stations and Appendix 2 lists the systems with less than 1500 main stations as at December 31, 1981. This information has been taken from the Ontario Telephone Service Commission's 1981 Annual Report. If, during the interim period, any telephone system has had an increase or decrease in main telephones so that it is no longer considered expedient to be included in Appendix 1 or Appendix 2, as the case may be, the classification of the telephone system will be reviewed upon application to the Commission.

During the hearing of June 23 and 24, 1982 and through the written submissions filed prior to the hearing, the Commission heard from the Ontario Telephone Association (submission dated April 27, 1982), a joint submission from Durham Telephones Limited, Hurontario Telephones Limited and North Norwich Municipal Telephone System (submission dated April 21, 1982), Northern Telephone Limited (submission dated December 29, 1981, and April 30, 1982) and Thunder Bay Telecommunications (submission dated April 29, 1982) regarding the necessity to unbundle telephone rates should terminal interconnection be approved.



The Commission now invites written submissions from these parties or any other telephone system dealing with the issue of rate unbundling. A submission regarding unbundling can be a general discussion regarding unbundling and/or a specific proposal for a particular telephone system.

Upon completion of the review of all relevant aspects of terminal interconnection as it relates to the telephone systems under the jurisdiction of the Commission, the Commission will issue a final Order specifying the terms and conditions of the interconnection of customer provided terminal equipment. During the interim period which this Order will be in effect, the Commission will accept and review applications made pursuant to section 91 of The Telephone Act for any specific makes or types of terminal equipment which do not meet the criteria set out in Section 1.0 of this Order.

Chairman

## APPENDIX 1

### Telephone Systems with 1500 or more Main Stations as at December 31, 1981

Amtelecom Inc.  
Blanshard Municipal Telephone System  
Bruce Municipal Telephone System  
Cochrane Municipal Telephone System  
Dryden Municipal Telephone System  
Hay Municipal Telephone System  
Huron and Kinloss Municipal Telephone System  
Kenora Municipal Telephone System  
Manitoulin Island Telephone Company Limited  
Northern Telephone Limited  
The People's Telephone Company of Forest Limited  
South Bruce Rural Telephone Company Limited  
Thunder Bay Telecommunications  
Tuckersmith Municipal Telephone System  
Wightman Telephone Limited

## APPENDIX 2

### Telephone Systems with Less than 1500 Main Stations as at December 31, 1981

Abitibi-Price Incorporated  
 Brooke Municipal Telephone System  
 Capital Telephone Company Limited  
 Coldwater Municipal Telephone System  
 Durham Telephones Limited  
 Gosfield North Municipal Telephone System  
 Hurontario Telephones Limited  
 Keewatin Municipal Telephone System  
 Lansdowne Rural Telephone Company Limited  
 Mornington Municipal Telephone System  
 North Frontenac Telephone Company Limited  
 North Norwich Municipal Telephone System  
 North Renfrew Telephone Company Limited  
 Otonabee Municipal Telephone System  
 Roxborough Telephone Company Limited  
 Westport Telephone Company



# INDEPENDENT TELEPHONE SYSTEMS - SOUTHERN ONTARIO

# INDEPENDENT TELEPHONE SYSTEMS - NORTHERN ONTARIO



ONTARIO TELEPHONE SERVICE COMMISSION



Ministry of  
Transportation and  
Communications

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456



# ontario telephone service commission

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## 1983 annual report









Ontario  
Telephone Service  
Commission

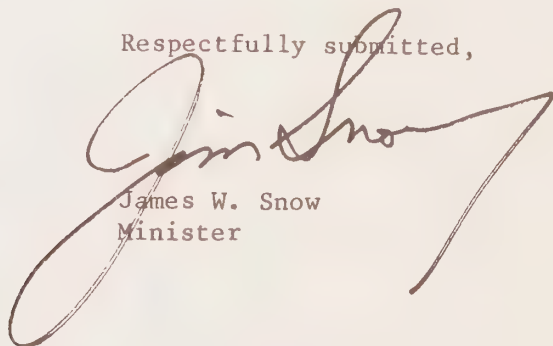
Suite 200  
3625 Dufferin St.  
Downsview Ontario  
M3K 1Z2  
416/248-3831

The Honourable John Black Aird, OC QC BA LL.D  
Lieutenant Governor of Ontario  
Legislative Building  
Queen's Park, Ontario

MAY IT PLEASE YOUR HONOUR

I beg leave to present the 1983 Annual Report of the Ontario  
Telephone Service Commission for the year ending December 31, 1983.

Respectfully submitted,



James W. Snow  
Minister



Ontario  
Telephone Service  
Commission

Suite 200  
3625 Dufferin  
Downsview O  
M3K 1Z2  
416/248-3831

December 31, 1983


The Honourable James W. Snow  
Minister of Transportation and Communications  
3rd Floor, Ferguson Block  
77 Wellesley Street West  
Toronto, Ontario  
M7A 1Z8


Dear Mr. Snow:

We have the honour to present herewith the Annual Report of the  
Ontario Telephone Service Commission for the year ending December  
31, 1983.


Respectfully submitted,

  
V. W. Bielski, Q.C.  
Chairman

  
R. D. Sloan,  
Vice Chairman

  
D. A. Austin,  
Member

  
G. Klesler,  
Member

  
M. H. Shecter,  
Member.

**ONTARIO TELEPHONE SERVICE COMMISSION  
1983 ANNUAL REPORT**

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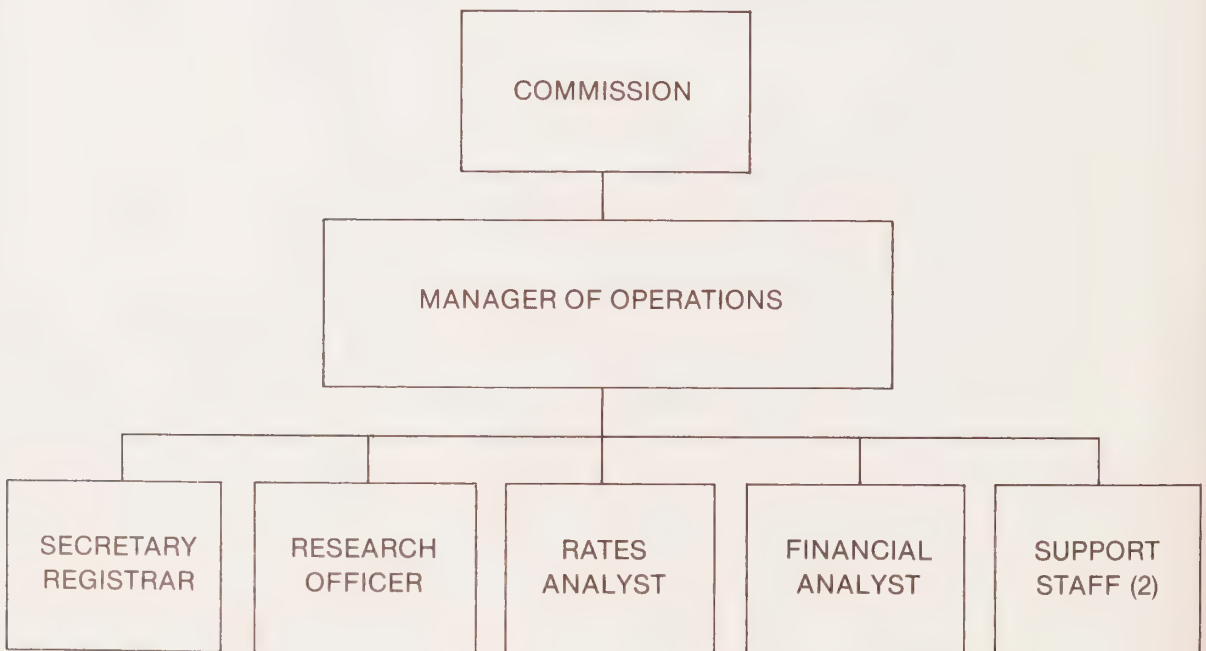
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## 1. THE COMMISSION

The Ontario Telephone Service Commission regulates thirty-one telephone systems in Ontario. The Commission consists of five members as appointed by the Lieutenant Governor in Council.

Chairman	Mrs. V. W. Bielski, Q.C.
Vice-Chairman	Mr. R. D. Sloan
Member	Mr. D. A. Austin
Member	Mr. G. Klosler
Member	Mr. M. E. Shecter

The Commission is assisted by a staff of seven. The following chart outlines the present organizational structure of the Commission.



The Commission's governing statute is The Telephone Act, R.S.O. 1980, c.496, and in 1983 the Commission issued 99 Orders. On December 16, 1983, the Provincial Legislature passed An Act to Amend the Telephone Act. A copy of the Act appears as an appendice to this report.

The following is a summary of the number of Orders issued in respect to the purpose and the section under the Act.

Section		No. of Orders
10	Previous order revoked or amended	3
12	Sufficiency of rates for incorporated systems	5
14	Hearing of Public Complaint	1
47	Sale of Municipal Telephone System	1
71	Approval of By-Laws for Municipal Telephone Systems	5
91	Approval to interconnect customer owned equipment	1
96	Approval of agreements for interchange of service between systems	22
103	Sale or transfer of assets	2
105	Approval of changes in local telephone service rates	50
108	Change in depreciation rates	4
109	Approval to issue stock, bonds or indebtedness	4
115	Prescribing filing date of Annual Returns	1
TOTAL:		99

In 1983 the Commission attended 8 meetings and held public field hearings in Iroquois Falls, New Liskeard, Sharbot Lake and Timmins.

The Commission issued four Orders in 1983 as a result of general rate applications. The following chart shows the disposition of the orders which are included as appendices to this report.

GENERAL RATE APPLICATIONS

System	Hearings	Intervenors	Order	Outcome of Request
Northern Tel.	Toronto	145	4198	5.0% approved
Northern Tel.	New Liskeard	40	4304	3.9% approved
	Timmins			
	Iroquois Falls			
	Toronto			
Thunder Bay	Toronto	3	4236	5.0% approved
North Frontenac	Sharbot Lake	14	4221	Denied



## **CUSTOMER COMPLAINTS AND INQUIRIES**

The Telephone Act gives the Commission jurisdiction to hear complaints and inquiries from customers concerning the quality of services, rates and management policies of their telephone systems.

Telephone systems operate as monopolies in that they have an exclusive right to operate in their service territory. Since telephone systems do not experience competition from other carriers, dissatisfied customers cannot take their business elsewhere.

Customers can seek recourse with the Commission should they have a dispute with their telephone system. In 1983 the Commission received approximately 252 written and oral inquiries and complaints as a result of either rate applications or individual service problems. Individual service complaints and inquiries (excluding those submissions received during rate applications) appear on the following pages as per system and type of complaint or inquiry.

CUSTOMERS COMPLAINTS AND INQUIRIES NOT RELATED TO RATE APPLICATIONS

System	Outages	Billings	Line Loads	Deposits	Service Request	*EAS	Other	Total
Amtelecom Inc.	—	1	1	—	4	—	—	6
Brooke Municipal Telephone System	—	—	—	—	—	—	1	1
Bruce Municipal Telephone System	—	—	—	—	—	—	5	5
Cochrane Public Utilities Commission	—	1	—	—	—	—	—	1
Coldwater Public Utilities Commission	—	—	—	—	2	—	—	2
Durham Telephones Limited	—	—	—	—	—	—	1	1
Hay Municipal Telephone System	—	2	—	—	—	—	—	2
Huron and Kinloss Municipal Telephone System	—	1	—	—	—	—	—	1
Manitoulin Island Telephone Company Limited	—	1	—	—	4	—	—	5
North Frontenac Telephone Company Limited	—	1	—	—	—	1	1	3
North Renfrew Telephone Company Limited	—	—	—	—	1	—	1	2
Northern Telephone Limited	—	5	2	1	7	—	1	16
Peoples Telephone Company of Forest Limited, The	—	—	—	—	1	—	1	2
Roxborough Telephone Company of Forest Limited	—	—	—	1	1	—	—	2
Westport Telephone Company, Limited, The	—	1	—	—	—	—	—	1
	0	13	3	2	20	1	11	50

\* Extended Area Service

## 2. MAJOR ACTIVITIES

### i) *Uniform System of Accounts*

The Commission is pleased to report that the progress of implementing the Uniform System of Accounts (USOA) has exceeded original expectations. The Commission must give credit to the Ontario Telephone Association (OTA) which has been very supportive in assisting its member systems in adopting USOA. It appears that many systems which are exempt from USOA will, nevertheless, incorporate it as a new accounting procedure.

Presently, the Commission is in the process of providing information and guidance on periodic questions which crop up as the accounts are put in place. The next step will be the finalization of the proposed annual filings which will be an integral part of the USOA. The Commission expects to have the final stages of USOA completed in 1984.

### ii) *Quality of Service Indicators*

The Quality of Service Indicators project has received the same support from the OTA as has the USOA. The Commission, on January 5, 1983, released a letter recommending 11 indicators which could be used by the industry. The OTA, in response, has selected four indicators which it believes could be introduced immediately and with little inconvenience to the member systems. The indicators are:

1. Held Orders – main telephones, not completed within 30 days (excluding PBX and Key systems).
2. Installations not completed within 5 business days for telephone company reasons (excluding PBX and Key systems).
3. Percent of customer trouble reports, out of service, not cleared within one business day.
4. Customer trouble reports per 100 main stations per month.

The Commission is pleased with the progress of this project and the Commission expects that in due time most of the systems will incorporate the indicators as part of their record keeping system.

### iii) *Two Tier Pricing Concept*

Since issuing the interim Interconnect Order No. 4188, the Commission has had to deal with new rate offers which telephone systems are filing in order to compete in an open interconnect market. The Commission has recently dealt with several applications which have employed a two tier pricing concept. Briefly, two tier pricing separates the equipment cost from the service and access cost. Two tier pricing gives customers more payment flexibility as they can either pay a large sum up front, or have it staggered over several years. The other key feature is that by separating equipment from service costs, only the service cost will be affected by any rate increases.

In interconnect Order No. 4276, the Commission considered such transactions as financial leases and a sale equivalent, and as such do not fall within the definition of "rate" as defined in The Telephone Act, and therefore, not subject for approval pursuant to the Act. Similarly, maintenance contracts associated with financial leases will not be subject to approval by the Commission in the future.

iv) *Visit to the Systems*

This past year the Commission has visited 14 systems, which means that with the exception of only the Manitoulin Island Telephone Company and Huron and Kinloss Municipal Telephone System, the Commission has almost completed its industry familiarization project. The visits are welcomed not only by the Commission, but by the industry itself, in that it helps improve the dialogue between the Commission and the individual telephone systems. Also, the Commission finds that the experience of traveling through the territory of the independent telephone systems assists greatly in understanding the varied applications from each system.

### 3. REGULATORY ISSUES

i) *Terminal Attachment Final Order*

On November 18, 1982, the Commission issued Interim Order No. 4188 authorizing the interconnection of customer provided terminal attachment to the facilities of the telephone systems in Ontario, but limited the attachment to single lines only. In issuing the Interim Order the Commission had concerns with regard to the impact of terminal attachment on local service rates of the smaller systems. The Order also included some proviso for the provision of inside wiring as well as the establishment of separate accounts for the sale of telephone equipment.

All interested parties were given an opportunity to comment on any or all of the aspects of the Interim Order. In May, 1983, a final notice was issued inviting the industry and the public at large to comment on matters such as telephone sets and inside wiring, rate unbundling, small system prohibition, and the interim experience of the affect of interconnection.

The Commission on December 15th, 1983, issued Order No. 4276 on Customer Provided Terminal Attachment. After two years of collecting evidence, the Commission was of the view that it had sufficient information to proceed with the issue of a final Order. The salient points of the final Order are as follows:

1. Inside wiring and jacks remain the responsibility of the telephone system.
2. Telephone equipment to be attached must conform to the standards set out in CS-03 as amended and/or extended of the D.O.C. Terminal Attachment Program Advisory Committee.
3. Customers on two and four-party lines will be permitted to attach telephone sets provided that such sets have been inspected by the telephone system and are deemed to be compatible to the system.
4. Telephone systems wishing to sell equipment must have separate books and accounts to record all sales transactions. Expenses associated with telephone equipment must be clearly identified and considered.

The Order also directed the telephone systems to inform customers, by way of the monthly billing, of the separate components respecting equipment costs and network access within six months of the effective date.

The Commission is confident that given the extensive review of the interconnect issue, that the Order is just and fair to both the industry and the public at large.



## ii) *Customer Premise Visit Charge*

Interconnection is still a relatively new concept for the public to grasp. In the past everything connected with telecommunication was provided by the serving telephone company. Now the public can purchase telephones, but they have little or no idea about standards or even the difference between rotary and touch-tone telephones.

It is not uncommon for customers to unwittingly attach a defective or unmodified telephone to their line. When this results in a problem, the customer immediately calls the telephone company. The telephone company has to send a repairman to determine the trouble source, and if that trouble is caused by the customer's equipment, then the visit becomes an unwarranted expense.

Many systems have filed and have approved a customer premise visit charge. The tariff stipulates that if a serviceman is called to a customer's premise, and if there is no problem with the telephone company's equipment, then the customer is charged for the visit. However, the Commission has ordered that the system inquire as to whether or not the customer owns his own equipment. If the customer does own his own equipment, then he is warned of the visit charge.

The Commission has not had any difficulty with this charge, either from the standpoint of the company or the customer. It is anticipated that eventually almost all of the systems will have a customer premise visit charge included as part of their tariffs.

## iii) *Construction Charges*

If people were asked to identify the most useful appliances in their household, it is likely that the response would include such items as the stove and fridge, the furnace, the T.V. set, or the stereo. It is improbable that anyone would even think to mention their telephone as part of the previous group. The telephone is an item that is very much taken for granted as a household commodity. This is coupled by the fact that most North American users enjoy trouble-free uninterrupted service. People, especially urban dwellers, have grown accustomed to receiving inexpensive, readily available private line telephone service.

There has been a growing trend among some people to move away from cities and other populated areas and relocate in an isolated part of the country. While privacy and tranquility have their own rewards, it is possible that the proposed retreat may end up being more remote and isolated than the buyer anticipated. Consider the plight of the new homeowner who after proudly purchasing his "hideaway" discovers from the local telephone office that he will have to spend two thousand dollars to receive telephone service. The customer is naturally upset, he has hydro and plumbing, why on earth must he pay an outrageous sum to receive a telephone?

People who live more than 160 metres from the nearest telephone facility may be required to pay the bulk of the construction and labour costs for their telephone service. The cost may range from \$500.00 to \$5,000.00 depending on the distance, work and material involved. If several people wish to receive telephone service then the costs can be shared accordingly. Even with the huge cash outlay customers may only receive multi-party service and they will still be required to pay all the regular monthly rates associated with their service. While the practice of applying construction charges to isolated customers may appear to be harsh, there are several reasons for doing so.



A telephone company is a business which relies on customer payment for its revenues. Revenues come from either long distance calls or from local service. Telephone systems also have a monopoly in the area that they serve, so they do not have any competition for the provision of service. In order to guard against unfair and arbitrary rate hikes, a telephone system must report to a government regulator. In Ontario, Bell Canada's regulator is the Canadian Radio-television and Telecommunications Commission (C.R.T.C.), other independent telephone systems are regulated by the Ontario Telephone Service Commission (O.T.S.C.). There is one telephone system which is self-regulated, providing primarily long distance service, and that is the Ontario Northland Transportation Commission, a provincial crown agency.

The regulator ensures that a telephone company's rates are sufficient to meet the expenses of maintaining service, as well as allowing for service improvement and expansion. If a telephone system wishes to acquire more revenue by increasing its rates, it has to justifiably seek the regulator's approval. The regulator reviews the telephone system's current expenses as well as its plans for future improvement. The regulator also monitors past expenses in order to ascertain that funds budgeted for service improvement were actually spent on service improvement. It is for all the previous reasons that telephone systems are required to budget and allocate their financial resources very carefully. Rate applications are costly, can last anywhere from six to twelve months, and there are no guarantees that a rate increase will be granted.

The telephone system, like any other enterprise, must adhere to its budget. Providing isolated customers with service is not only expensive, it is unprofitable. However, it is difficult for customers to comprehend how a system that deals with hundreds of thousands of dollars would be affected by an undertaking involving only two or three thousand dollars. The bottom line is that costs that are assumed by the telephone system are ultimately assumed by all other telephone subscribers. Part of a telephone system improvement budget involves providing telephone service to areas that had previously been without.

Those new customers affected by the expansion program, do not have to pay the construction costs for service. The orderly and gradual expansion and improvement of the system ensures that the greatest number of customers are provided service within a reasonable cost. However, if the telephone system and the subscribers had to also absorb the cost for individual construction charges, then either:

1. certain expansion projects would be delayed, or
2. the overall service rates would have to be increased more frequently.

Ideally, money spent by the telephone system should be used to the best advantage of all subscribers. Eventually, most people in isolated areas will be given service, but they have to wait their turn.

The axiom 'buyer beware' is very applicable to persons considering the purchase of isolated or remote properties. If telephone service is desired then a quick call to the local telephone office should ascertain whether or not there is service to that area. A potential customer may also ask for a written cost estimate. If the construction charges appear unreasonably high for the work proposed the customer can seek the intervention of the government regulator.

Ultimately a little foresight can save one a lot of disappointment and grief. While it is easy to forget about the telephone, it may be difficult to live without it.

## 4. APPENDICES

### APPENDIX (i)

#### AN ACT TO AMEND THE TELEPHONE ACT

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of Ontario, enacts as follows:

1. (1) Subsection 6(1) of the Telephone Act, being chapter 496 of the Revised Statutes of Ontario, 1980, is repealed and the following substituted therefor:
  - (1) The Commission has jurisdiction and power to hear and determine all applications made, proceedings instituted and matters brought before it under this Act or under the regulations and, for such purposes, to make such orders and rules, to give such direction, to issue such certificates and perform all acts as it considers necessary.
  - (2) Section 6 of the said Act is amended by adding thereto the following subsections:
    - (4) Without limiting the generality of subsections (1) and (2), the Commission has the jurisdiction to make orders,
      - (a) setting out the terms and conditions to be in contracts between any class of telephone system and affiliated persons, and between any class of telephone system and other person offering telephone services;
      - (b) governing the nature and quality of any class of telephone services;
      - (c) concerning installation of and maintenance and access to telephone facilities;
      - (d) concerning accounts issued by any class of telephone system;
      - (e) regulating and controlling business procedures of any class of telephone system including,
        - (i) accounting methods,
        - (ii) costing methods, and
        - (iii) reporting of financial, construction and investment plans;
      - (f) requiring the provision of any class of telephone service to applicants therefor and setting out the terms thereof.
    - (5) Any order of the Commission may be general or particular in application, may be limited as to time, place, type of service or any combination thereof and may exclude any place from the application of any order.
2. Section 8 of the said Act is repealed and the following substituted therefor:
  8. All orders made by the Commission are effective upon being issued under the seal of the Commission by the secretary-registrar or another person designated by the chairman.
3. Section 9 of the said Act is amended by adding thereto the following subsections:
  - (5) The Commission may make such rules governing the practice and procedure applicable to proceedings before it as it may from time to time consider necessary.

(6) The commission may, in its sole discretion, determine whether it is necessary to hold a hearing but, when a hearing is held, the Statutory Powers Procedure Act applies.

4. Section 16 of the said Act is repealed and the following substituted therefor:

16.-(1) The Lieutenant Governor in Council may by order binding on the Commission,

(a) set out criteria or guidelines to be applied by the Commission in deciding any matter subject to the jurisdiction of the Commission.

(b) require the Commission to undertake an investigation and make a report concerning any matter that in the opinion of the Lieutenant Governor in Council affects the provision of telephone services in Ontario, or to require the Commission to take any action or perform any function within the jurisdiction of the Commission.

(2) An order made under clause (1)(a) does not bind the Commission in respect of a matter before the Commission at the time the order is made.

(3) All orders made under clause (1)(a) shall be published in The Ontario Gazette.

5. Section 22 of the said Act is repealed and the following substituted therefor:

22. An order of the Commission made under this Act is not a regulation within the meaning of the Regulation Act.

6. Section 26 of the said Act is repealed and the following substituted therefor:

26.-(1) The Lieutenant Governor in Council may make regulations,

(a) prescribing classes of telephone systems and classes of telephone services;

(b) prescribing terms and conditions and rules applicable to any class of telephone system and customers in respect of classes of telephone services;

(c) exempting any class of telephone system from the application of any section of this Act and prescribing conditions for exemption;

(d) exempting any class of telephone service from any section of this Act and prescribing conditions for exemptions.

(2) Any regulation may be general or particular in its application, may be limited as to time, place, type of service or any combination thereof and may exclude any place from the application of the regulation.

7. Section 45 of the said Act is repealed and the following substituted therefor:

45. The council of an initiating municipality or the commissioners, as the case may be, shall determine the location of any exchange or switchboard of the system and any relocation of the same.

8. Section 61 of the said Act is amended by adding thereto the following subsection:

(3) A municipal telephone system may, in extraordinary circumstances, with the approval of the Commission, earn greater revenues than provided for in this section where such revenues are used for the purpose of complying with an order of the Commission.



9. Subsection 71(1) of the said Act is amended by striking out "approved by the Commission and" in the sixteenth and seventeenth lines.
10. Section 88 of the said Act is repealed and the following substituted therefor:

88. Every incorporated telephone company shall keep every by-law, special by-law or special resolution available for inspection at the head office of the company.
11. Section 105 of the said Act is amended by adding thereto the following subsection:

(3) Every rate or toll charged or levied by a telephone system shall be just and reasonable.
12. Section 106 of the said Act is repealed and the following substituted therefor:

106.-(1) No telephone system, in offering or providing a telephone service, shall,

  - (a) make an unwarranted discrimination against any person;
  - (b) give an undue advantage to any person; or
  - (c) subject any person to an undue disadvantage.

(2) Where it is alleged that a telephone system has committed an act mentioned in subsection (1), the onus of proving that the discrimination is warranted or that the advantage or disadvantage is not undue is on the telephone system.

(3) Charging different rates based on the nature of the use made of a telephone system is not a contravention of this section.
13. Section 108 of the said Act is repealed and the following substituted therefor:

108.-(1) Every telephone system and municipality shall file with the Commission its rates of depreciation in such form and containing such particulars as the Commission requires, and no telephone system or municipality shall employ a rate of depreciation that has not been filed with and approved by the Commission.

(2) The Commission may at any time require a telephone system or municipality to make such changes in the rates of depreciation as the Commission considers expedient.
14. This Act comes into force on the day it receives Royal Assent.
15. The short title of this Act is the Telephone Amendment Act, 1983.

## APPENDIX (ii)

Type of Entity of the Independent Telephone Systems Operating in Ontario in 1983.

	Systems		Telephones	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
Systems operated as public utilities by municipal corporations	5	16.1	123,005	44.0
Municipal Systems	10	32.3	38,410	14.0
Incorporated companies	16	51.6	117,204	42.0
TOTAL:	<u>31</u>	<u>100.0</u>	<u>278,619</u>	<u>100.0</u>

## APPENDIX (iii)

Size Distribution of the Independent Telephone Systems Operating in Ontario 1983.

<u>No. of Telephones</u>	<u>No. of Systems</u>	<u>Percent</u>
0 - 500	1	3.2
501 - 1,000	1	3.2
1,001 - 2,000	11	38.7
2,001 - 3,000	6	16.2
3,001 - 4,000	3	9.6
4,001 - 5,000	3	9.6
5,001 - 10,000	2	6.5
10,001 - 50,000	2	6.5
50,001 - 100,000	2	6.5
	<u>31</u>	<u>100.0</u>

## APPENDIX (iv)

Net growth of the Telephone Industry in Ontario since 1973.

<u>Dec. 31</u>	<u>No. of Systems</u>	<u>No. of Telephones</u>	<u>% Change</u>
1973	40	216,007	5.13
1974	40	227,810	5.46
1975	40	240,700	5.66
1976	39	258,161	7.25
1977	36	262,363	1.63
1978	35	274,916	4.78
1979	32	284,288	3.41
1980	31	261,446	(8.03)
1981	31	270,053	3.29
1982	31	274,317	1.60
1983	31	278,619	1.54



## SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1983.

NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	TELEPHONE NUMBERS (A)	OTHER TELEPHONES (B)	TOTAL	TOTAL COMPANY TELEPHONES
3 Abitibi-Price Incorporated	F. R. Robar Electrical Superintendent	Iroquois Falls POK 1E0 (705) 258-3241	Iroquois Falls	776	527	1,303	1,303
3 Amtelecom Incorporated	R. B. Barnard President and General Manager	18 Sydenham Street Aylmer N5H 1L2 (519) 773-8441	Aylmer Cambray Dyer's Bay Lion's Head Port Burwell Stokes Bay Straffordville Tobermory	4,617 642 113 784 612 95 1,003 508	2,588 144 21 217 239 16 392 151	7,205 783 134 1,001 851 111 1,395 659	
2 Blanshard Municipal Telephone System	L. Mardlin Manager	Kirkton NOK 1K0 (519) 229-8933	Granton Kirkton Sebringville Uniondale	559 962 1,061 425	362 615 601 253	921 1,577 1,662 678	12,142
2 Brooke Municipal Telephone System	W. Chapman Manager	P.O. Box 40 Inwood NON 1K0 (519) 396-3322	Alvinston (S) Inwood Watford (S)	296 495 543	127 229 237	423 724 780	4,838
2 Bruce Municipal Telephone System	J. T. Scurfield Manager	P.O. Box 580 Kincardine NOG 2G0 (519) 396-3322	Kincardine Paisley Port Elgin Tiverton	1,334 3,807 902 3,470 1,169	593 1,839 379 1,479 333	1,927 5,646 1,281 4,949 1,502	1,927
3 Capital Telephone Company Limited	R. M. Botham Assistant Secretary- Treasurer	c/o Bell Canada 393 University Avenue 19th Floor Toronto M5G 1W9 (416) 599-4936	Maberly	9,348 213	4,030 76	13,378 289	13,378
1 Cochrane Public Utilities Commission	G. F. Jarvis Engineering Manager	153 Sixth Avenue P.O. Box 640 Cochrane P0L 1C0 (705) 272-4232	Cochrane	2,117	1,355	3,472	3,472

## SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1983.

	NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	TELEPHONE NUMBERS (A)	OTHER TELEPHONES (B)	TOTAL	TOTAL COMPANY TELEPHONES
2	Coldwater Municipal Telephone System	G. Moreau Secretary-Treasurer	P.O. Box 202 Coldwater LOK 1E0 (705) 686-3698	Coldwater	885	306	1,191	1,191
1	Dryden Municipal Telephone System	W. M. Wake Secretary-Chief Administrative Officer	30 Van Horne Avenue Dryden P8N 2A7 (807) 223-2226	Dryden	3,209	2,827	6,036	6,036
3	Durham Telephones Limited	J. E. Downs General Manager	63 Brule Gardens Toronto M6S 4J5 (416) 767-4042	Cavan Millbrook	354 <u>843</u>	158 <u>467</u>	512 <u>1,310</u>	
2	Gosfield North Municipal Telephone System	J. Helkie Manager	P.O. Box 130 Cottam NOR 1B0 (519) 839-4844	Cottam	1,197	625	1,822	1,822
2	Hay Municipal Telephone System	W. H. Wagner Manager and Secretary-Treasurer	P.O. Box 99 Zurich NOM 2T0 (519) 236-4333	Dashwood Grand Bend Zurich	438 1,810 <u>966</u>	233 677 <u>415</u>	671 2,487 <u>1,381</u>	
2	Huron and Kinloss Municipal Telephone System	C. Nicholson Manager	P.O. Box 220 Huron Street Ripley N0G 2R0 (519) 395-2626	Dungannon Ripley	3,214 865 <u>1,709</u>	1,325 286 <u>670</u>	4,539 1,151 <u>2,379</u>	4,539
3	Huronario Telephones Limited	K. V. Stevens Manager	P.O. Box 59 Thedford NOM 2N0 (519) 296-4926	Port Franks Thedford	2,574 940 <u>558</u>	956 325 <u>292</u>	3,530 1,265 <u>850</u>	3,530
1	Keewatin Municipal Telephone System	J. Ortlieb Wire Chief	P.O. Box 139 Keewatin POX 1C0 (807) 547-2881	Keewatin	1,498 804	617 529	2,115 1,333	2,115 1,333

SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1983.

	NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	TELEPHONE NUMBERS (A)	OTHER TELEPHONES (B)	TOTAL	TOTAL COMPANY TELEPHONES
1	Kenora Municipal Telephone System	G. Dunford Operating Head	P.O. Box 1110 Kenora P9N 3X7 (807) 468-8906	Kenora	5,136	4,281	9,417	9,417
3	Lansdowne Rural Telephone Company Limited	R. P. Crawford General Manager	P.O. Box 9 Lansdowne KOE 1L0 (613) 659-2222	Lansdowne	1,342	568	1,910	1,910
3	Manitoulin Island Telephone Company Limited	R. B. Barnard General Manager	18 Sydenham Street East Aylmer N5H 1L2 (519) 773-8441	Manitowaning Mindemoya	854 891 1,745	271 357 628	1,125 1,248 2,373	2,373
2	Mornington Municipal Telephone System	E. J. Bay Secretary-Treasurer	16 Mill Street Milverton NOK 1M0 (519) 595-8331	Milverton	1,527	778	2,305	2,305
3	North Frontenac Telephone Company Limited	H. J. Schmidt Secretary-Treasurer	P.O. Box 130 Baden NOB 1G0 (519) 634-5300	Parham Sharbot Lake	474 725 1,199	80 185 265	554 910 1,464	1,464
2	North Norwich Municipal Telephone System	A. Williams Secretary-Treasurer	P.O. Box 33 Burgessville NOJ 1G0 (519) 424-9171	Burgessville Norwich Woodstock (S) (S)	840 319 287 1,446	362 145 169 676	1,202 464 456 2,122	2,122
3	North Renfrew Telephone Company Limited	W. Vandekemp Manager	P.O. Box 70 Beachburg KQJ 1G0 (613) 582-3600	Beachburg Pembroke Westmeath (S)	540 265 335 1,140	212 115 105 432	752 380 440 1,572	1,572

## SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1983.

NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	TELEPHONE NUMBERS (A)	OTHER TELEPHONES (B)	TOTAL	TOTAL COMPANY TELEPHONES
3 Northern Telephone Limited	M. W. Cooper President and General Manager	17 Paget Street Box H New Liskeard POJ 1P0 (705) 647-7311	Abitibi Canyon Calstock Cobalt Cochrane (S) Connaught Detour Lake Earlton Elk Lake Englehart Fauquier Gowganda Haileybury Hearst Iroquois Falls Kamiskotia Kapuskasing Kirkland Lake Larder Lake Latchford Matatchewan Matheson Mattice Moonbeam New Liskeard Opasatika Opishing Ramore Smooth Rock Falls South Porcupine Swastika Timmins Virginiatown	22 110 893 682 136 16 902 228 1,539 243 70 1,809 2,765 2,019 56 5,070 5,235 432 135 143 715 331 583 3,832 146 10 367 942 2,945 743 15,464 459	67 63 387 230 39 73 354 78 745 76 28 852 1,871 947 8 3,853 2,744 129 47 54 334 90 221 2,349 51 2 128 528 2,393 341 9,101 183	89 173 1,280 912 175 89 1,256 306 2,284 319 98 2,661 4,636 2,966 64 8,923 7,979 561 182 197 1049 421 804 6,381 197 12 495 1,470 5,338 1,084 24,565 642	77,608 1,311
3 Otonabee Telephones Limited	J. D. Downs General Manager	63 Brule Gdns Toronto M6S 4J5 (416) 767-4042	Keene	49,042 943	28,566 368	77,608 1,311	77,608 1,311
3 People's Telephone Company of Forest, Limited (The)	K. Laughlin Manager	P.O. Box 700 Forest NON 1J0 (519) 786-2351	Aberarder Arkona Forest	668 494 2,242 3,404	205 274 932 1,411	873 768 3,174 4,815	4,815

SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1983.

NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	TELEPHONE NUMBERS (A)	OTHER TELEPHONES (B)	TOTAL	TOTAL COMPANY TELEPHONES
3 Roxborough Telephone Company Limited	J. W. Beach Manager	P.O. Box 179 Moose Creek KOC 1W0 (613) 538-2800	Moose Creek	394	196	590	590
3 South Bruce Rural Telephone Company Limited	A. T. McTavish Manager and Secretary-Treasurer	Teeswater NOG 2S0 (519) 392-6873	Mildmay Teeswater	1,076 <u>956</u>	356 <u>333</u>	1,432 <u>1,289</u>	
1 Thunder Bay Telecommunications	A. M. Hawkins Manager	241 Vickers Street South Thunder Bay P7E 1J5 (807) 623-2711	Court Street Current River MacKenzie Murillo Riverview Rosslyn Shuniah Vickers Street	2,032  17,255 2,595 720 654 9,980 1,213 7,248 <u>17,180</u>	689  14,478 1,542 191 267 9,493 663 3,856 <u>15,412</u>	2,721  31,733 4,137 911 921 19,473 1,876 11,104 <u>32,592</u>	2,721
2 Tuckersmith Municipal Telephone System	M. Graham Secretary-Treasurer	R.R. #1 Brucefield NOM 1J0 (519) 482-9908	Bayfield Clinton (S) Hensall (S) Seaforth (S)	56,845  789 352 352 <u>435</u>	45,902  295 237 238 <u>251</u>	102,747  1,084 589 590 <u>686</u>	102,747
3 Westport Telephone Company	H. A. Lynn Manager	P.O. Box 252 Westport KOC 1X0 (613) 273-2121	Westport	1,928  1,201	1,021  364	2,949  1,565	2,949  1,565
3 Wightman Telephone Limited	R. Wightman President	P.O. Box 70 Clifford NOG 1M0 (519) 327-8012	Ayton Clifford Gorrie Neustadt	414 586 1,102 <u>330</u>	205 282 556 <u>129</u>	619 868 1,658 <u>459</u>	
TOTAL:				2,432 <u>171,421</u>	1,172 <u>107,198</u>	3,604 <u>278,619</u>	3,604 <u>278,619</u>



SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1983.

NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	TELEPHONE NUMBERS (A)	OTHER TELEPHONES (B)	TOTAL	TOTAL COMPANY TELEPHONES
		GROUPS:					
	1.	Systems established under The Telephone Act by municipal corporations and operated as public utilities.					
	2.	Systems established under The Telephone Act by, and vested in municipal corporations in trust for the benefit of the subscribers and operated by the municipal council or by a commission elected by the subscribers.					
	3.	Incorporated companies.					
	NOTES:						
	(A)	Main telephones and PBX trunk lines.					
	(B)	Extensions and coin telephones.					
	(S)	Indicates the exchange to which service system lines connect.					

COMMISSION ORDERS ISSUED - 1983

<u>ORDER</u>	<u>DATE ISSUED</u>	<u>APPLICANT</u>	<u>PURPOSE</u>
4195	83 01 24	Roxborough Telephone Company Limited	Approval of security deposits
4196	83 01 24	North Renfrew Telephone Company Limited	Late Payment Charge
4197	83 01 24	Hay Municipal Telephone System	John Twynstra, disconnection of telephone service
4198	83 01 18	Northern Telephone Limited	Approval of change in telephone rates
4199	83 02 02	Bruce Municipal Telephone System	Approval for Annual Meeting date change, April 20, 1983
4200	83 02 04	Manitoulin Island Telephone Company Ltd.	CRT Supplement Agreement with Bell Canada
4201	83 02 10	Bruce Municipal Telephone System	Non-recurring service charge - \$25.00
4202	83 02 11	Hay Municipal Telephone System	Approval for Increase Late Payment Charge
4203	83 02 11	Hay Municipal Telephone System	Approval for Security Deposit Charges
4204	83 02 11	Hay Municipal Telephone System	Re-Hearing of Order #4197, John Twynstra, dated Jan. 24, 1983
4205	83 03 10	Blanshard Municipal Telephone System	Traffic Agreement with Bell Canada, Appendix #5
4206	83 03 10	Northern Telephone Limited	Rates - for 'e Phone'
4207	83 03 10	Northern Telephone Limited	Rate Structure - telephone service
4208	83 03 10	Gosfield North Municipal Telephone System	Late Payment Charge
4209	83 03 10	Cochrane Public Utilities Commission	Approval for Late filing of Annual Returns
4210	83 03 10	Coldwater Municipal Telephone System	By-Law Nos. 6 and 7
4211	83 03 18	Northern Telephone Limited	Rates - for Super 10 E.P.B.X.
4212	83 03 18	Northern Telephone Limited	Rates - for SX 10 Electronic Key Tel. System
4213	83 03 18	Northern Telephone Limited	Rates - for SX-200 E.P.B.X.
4214	83 03 18	Northern Telephone Limited	Rates - for Vantage 12 Electronic Key Tel. System
4215	83 03 23	Northern Telephone Limited	Rate Structure - Order No. 4207 Revised
4216	83 03 23	Manitoulin Island Tel. Co. Ltd.	Evidence of Indebtedness - \$1,000,000
4217	83 03 28	Thunder Bay Telecommunications	Rates - Interim Increase - Denial
4218	83 03 30	Northern Telephone Limited	Amendment to Order No. 3949
4219	83 04 15	Durham Telephones Limited	Rates - for SX-20 Electronic PABX equipment
4220	83 04 26	North Frontenac Telephone Company Ltd.	Evidence of Indebtedness
4221	83 04 26	North Frontenac Telephone Company Ltd.	Additional Revenue Requirement - Denial
4222	83 05 02	Otonabee Municipal Telephone System	Date of Annual Meeting
4223	83 05 09	Northern Telephone Limited	T.A. APP. A, sec.II; APP. B, sec.III, IV, VI to T.A. with ONTC
4224	83 05 09	Amtelecom Incorporated	Rates - for Vantage 12 Electronic Key Telephone System

ORDER	DATE ISSUED	APPLICANT	PURPOSE
4225	83 05 09	Amtelecom Incorporated	Rates - for SX20 Private Electronic Branch Exchange System
4226	83 05 10	Northern Telephone Limited	Transfer of Assets, Bell Canada Enterprises, Inc.
4227	83 05 10	Capital Telephone Company, Limited	Transfer of Assets, Bell Canada Enterprises, Inc.
4228	83 06 23	Huronario Telephones Limited	N.S.F. Cheque Charge
4229	83 06 27	Lansdowne Rural Telephone	N.S.F. Cheque Charge (\$5.00)
4230	83 06 28	Hay Municipal Telephone System	Non-Recurring Service Charge
4231	83 06 30	Northern Telephone Limited	Revised Provisional Depreciation Accrual rate
4232	83 07 13	Otonabee Municipal Telephone System	Sale of the Assets of the Telephone System
4233	83 07 14	Kenora Municipal Telephone Systems	Rates - Coin Telephone (\$.25)
4234	83 07 14	Kenora Municipal Telephone Systems	Non-Recurring Charge - Customer Premise Visit (\$50.00)
4235	83 07 14	Lansdowne Rural Telephone Company Ltd.	Non-Recurring Charge - Customer Premise Visit (\$30.00)
4236	83 07 20	Thunder Bay Telecommunications	Additional Revenue Requirement and Rate Structure
4237	83 07 20	Bruce Municipal Telephone System	By-Law No. 1, 1983
4238	83 07 20	Kenora Municipal Telephone System	Custom Calling Features
4239	83 07 20	Blanshard Municipal Telephone System	Traffic Agreement - App.5 to T.A. with Bell Canada
4240	83 08 22	North Norwich M.T.S.	By-Law - Commissioners' fees
4241	83 08 23	Otonabee Telephones Limited	Rate Structure
4242	83 08 23	Otonabee Telephones Limited	Evidence of Indebtedness and Issuance of Stock
4243(I)	83 08 23	Northern Telephone Limited	Rates - Ultracom Electronic Key Telephone System
4244	83 08 31	Cochrane Public Utilities Commission	Security Deposit Charge
4245	83 08 31	Cochrane Public Utilities Commission	Late Payment Charge
4246	83 08 31	Lansdowne Rural Telephone Company Ltd.	Coin Telephone Charge - 25¢
4247	83 08 31	Wightman Telephone Limited	Non-Recurring Charge - Customer Provided Equipment
4248	83 09 23	Durham Telephones Limited	Approval of an agreement with Otonabee Telephones Limited
4249	83 09 23	Otonabee Telephones Limited	Approval of an agreement with Durham Telephones Limited
4250	83 09 30	Otonabee Telephones Limited	Rates - Miscellaneous equipment
4251	83 09 30	Dryden Municipal Telephone System	Rates - Custom Calling Features
4252	83 09 30	Durham Telephones Limited	Depreciation rates
4253	83 11 10	Cochrane Public Utilities Commission	Evidence of Indebtedness, \$200,000
4254	83 11 10	Cochrane Public Utilities Commission	Rates - Miscellaneous Equipment and Customer Services

COMMISSION ORDERS ISSUED - 1983

ORDER	DATE ISSUED	APPLICANT	PURPOSE
4255	83 11 14	Abitibi-Price Incorporated	Rates - Miscellaneous Equipment and Customer Services
4256	83 11 14	Brooke Municipal Telephone System	Rates - Directory Assistance Charge
4257	83 11 14	Capital Telephone Company Limited	Rates - Miscellaneous Equipment and Customer Services
4258	83 11 14	Huronario Telephones Limited	Rates - Miscellaneous Equipment and Customer Services
4259	83 11 14	Tuckersmith Municipal Telephone System	Rates - Directory Assistance Charge
4260	83 11 14	North Norwich Municipal Telephone System	Rates - Digipulse Service and Directory Assistance Charge
4261	83 11 14	Gosfield North Municipal Telephone System	Rates - Miscellaneous Equipment and Customer Services
4262	83 11 14	Lansdowne Rural Telephone Company, Ltd.	Rates - Miscellaneous Equipment and Customer Services
4263	83 11 14	Wightman Telephone Limited	Rates - Miscellaneous Equipment and Customer Services
4264	83 11 14	Westport Telephone Company	Rates - Miscellaneous Equipment and Customer Services
4265	83 11 14	South Bruce Rural Telephone Company, Ltd.	Rates - Miscellaneous Equipment and Customer Services
4266(I)	83 11 24	People's Telephone Company of Forest, Ltd.	Rates - SX20 Private Branch Exchange System
4267	83 11 14	Blanshard Municipal Telephone System	Rates - Miscellaneous Equipment and Customer Services
4268	83 11 14	Bruce Municipal Telephone System	Rates - Miscellaneous Equipment and Customer Services
4269	83 11 14	Ontario Telephone Service Commission	Revocation of Previous Orders
4270	83 11 24	Ontario Telephone Service Commission	Rates - Directory Assistance Charge - Revocation
4271	83 11 25	Huronario Telephones Limited	Rates - Non-Recurring Service Charge
4272	83 11 25	Huronario Telephones Limited	Rates - Depreciation
4273	83 11 25	Northern Telephone Limited	Rates - Depreciation
4274	83 12 01	Blanshard Municipal Telephone System	Rates - Coin Telephone Charge
4275	83 12 01	Northern Telephone Limited	Rates - Customer Premise Equipment Maintenance Charge
4276	83 12 15	The Commission on its own motion	Approval of Interconnection of C.P.T.E. to facilities of Systems
4277	83 12 19	Amtelecom Inc.	Approval of Revised Appendices to T.A. with Bell Canada
4278	83 12 19	Blanshard M.T.S.	Approval of Revised Appendices to T.A. with Bell Canada
4279	83 12 21	Brooke M.T.S.	Approval of Revised Appendices to T.A. with Bell Canada
4280	84 01 09	Bruce M.T.S.	Approval of Revised Appendices to T.A. with Bell Canada
4281	83 12 19	Capital Telephone Company Limited	Approval of Revised Appendices to T.A. with Bell Canada
4282	84 01 03**	Coldwater M.T.S.	Approval of Revised Appendices to T.A. with Bell Canada
4283	83 12 19	Dryden M.T.S.	Approval of Revised Appendices to T.A. with Bell Canada
4284	84 01 03**	Durham Telephones Limited	Approval of Revised Appendices to T.A. with Bell Canada

ORDER	DATE ISSUED	APPLICANT	PURPOSE
4285	84 02 16**	Gosfield North M.T.S.	Approval of Revised Appendices to T.A. with Bell Canada
4286	83 12 19	Hay M.T.S.	Approval of Revised Appendices to T.A. with Bell Canada
4287	84 02 16**	Huron and Kinloss M.T.S.	Approval of Revised Appendices to T.A. with Bell Canada
4288	83 12 19	Huronario Telephones Limited	Approval of Revised Appendices to T.A. with Bell Canada
4289	84 01 03**	Keewatin M.T.S.	Approval of Revised Appendices to T.A. with Bell Canada
4290	84 02 16**	Kenora M.T.S.	Approval of Revised Appendices to T.A. with Bell Canada
4291	83 12 21	Lansdowne Rural Telephone Company Ltd.	Approval of Revised Appendices to T.A. with Bell Canada
4292	83 12 19	Manitoulin Island Telephone Company Ltd.	Approval of Revised Appendices to T.A. with Bell Canada
4293	84 01 03**	Mornington M.T.S.	Approval of Revised Appendices to T.A. with Bell Canada
4294	83 12 19	North Frontenac Telephone Company Ltd.	Approval of Revised Appendices to T.A. with Bell Canada
4295	84 02 16**	North Norwich M.T.S.	Approval of Revised Appendices to T.A. with Bell Canada
4296	84 02 16**	North Renfrew Telephone Company Limited	Approval of Revised Appendices to T.A. with Bell Canada
4297	84 01 03**	People's Telephone Company of Forest, Ltd.	Approval of Revised Appendices to T.A. with Bell Canada
4298	84 01 03**	Roxborough Telephone Company Limited	Approval of Revised Appendices to T.A. with Bell Canada
4299	83 12 19	South Bruce Rural Telephone Company Ltd.	Approval of Revised Appendices to T.A. with Bell Canada
4300	83 12 19	Thunder Bay Telecommunications	Approval of Revised Appendices to T.A. with Bell Canada
4301	83 12 19	Tuckersmith M.T.S.	Approval of Revised Appendices to T.A. with Bell Canada
4302	84 01 31**	Westport Telephone Company Limited	Approval of Revised Appendices to T.A. with Bell Canada
4303	83 12 19	Wightman Telephone Limited	Approval of Revised Appendices to T.A. with Bell Canada
4304	83 12 20	Northern Telephone Limited	Approval of Revised Appendices to T.A. with Bell Canada
** These Applications were approved in 1983, but due to late filing, Orders were issued in 1984.			Rates - Approval of Telephone Rates



## APPENDIX (vii)

### ORDERS OF JUDGEMENT OF THE COMMISSION

- 4197 IN THE MATTER of an application by Mr. John Twynstra in regard to the disconnection of telephone service by the Corporation of the Township of Hay.
- 4198 IN THE MATTER of an application by Northern Telephone Limited for approval of a change in rates for local telephone service.
- 4221 IN THE MATTER of an application by the North Frontenac Telephone Company Limited for a change in rates for local telephone service.
- 4236 IN THE MATTER of an application by the Corporation of the City of Thunder Bay for approval to change the rates for local telephone service.
- 4269 IN THE MATTER of a review of Order No. 2720 dated May 29, 1970; Order No. 2970 dated June 15, 1972; Order No. 3126 dated November 8, 1983; and Order No. 3221 dated October 7, 1974.
- 4270 IN THE MATTER of a review of the Directory Assistance Charge and the conditions under which such a charge shall apply.
- 4276 IN THE MATTER of the interconnection of customer provided terminal equipment to the facilities of the telephone systems subject to the jurisdiction of Ontario.
- 4304 IN THE MATTER of an application by Northern Telephone Limited for approval of a change in rates for local telephone service.



ORDER NO. 4197

Monday, the 24th day of January, A.D. 1983

BEFORE

V. W. Bielski, Q.C.	)	IN THE MATTER of sections 6(1)
Chairman	)	14 and 89 of The Telephone Act
	)	(R.S.O. 1980, c.496)
R. D. Sloan,	)	
Vice Chairman, and	)	and
	)	
G. Klosler,	)	IN THE MATTER of an application
Member	)	by Mr. John Twynstra in regard
	)	to the disconnection of telephone
	)	service by the Corporation of the
	)	Township of Hay.

HEARD AT:

TORONTO, January 24, 1983

## 1.0 ORDER

- 1.1 UPON THE APPLICATION by Mr. John Twynstra, on behalf of himself and on behalf of the Triple A Driver's Service Limited, hereinafter referred to as the Applicant, complaining that the Corporation of the Township of Hay had disconnected telephone service,
- 1.2 AND UPON READING the said application and other material and written evidence filed,
- 1.3 THE COMMISSION HEREBY ORDERS, under and in pursuance of sections 6(1), 14, and 89 of The Telephone Act (R.S.O. 1980, c.496), that the Corporation of the Township of Hay, hereinafter referred to as the Telephone System, reconnect immediately, without any charge, the Applicant's residential telephone service and the business telephone service for the Triple A Driver's Service Limited.

## 2.0 REASONS

On December 29, 1982, Applicant filed with the Commission an application requesting a Commission Order for the reinstatement of telephone service.

Based on the evidence filed by the Applicant and the Telephone System, it is important to note the sequence of events and, in particular, the circumstances as to the Applicant.

There were three telephone services provided by the Telephone System as follows:

- A business telephone service (238-8448) to a company known as Huron Grain Leasing Limited;
- A business telephone service (238-2525) to a company known as Triple A Driver's Service Limited;
- A residential telephone service (238-2702) to the Applicant.

On November 12, 1982, the business telephone service (238-8448) for the Huron Grain Leasing Limited, was disconnected by the Telephone System. This was the result of a considerable default of payment of monthly rates and toll billed to the Huron Grain Leasing Limited. The Telephone System had provided the written notice of disconnection pursuant to section 89(3) of The Telephone Act.

On December 15, 1982, the Telephone System wrote to the Applicant requesting immediate payment in full of the outstanding Huron Grain Leasing Limited account. Furthermore, the Telephone System gave notice that if payment was not forthcoming, the Applicant's residential service (238-2702), and the telephone service to Triple A Driver's Service Limited (238-2525), would be disconnected.

On December 22, 1982, the Telephone System disconnected the Telephone service provided to the Applicant and Triple A Driver's Service Limited.

It is important to note that there was no dispute in regard to the disconnection of telephone service (238-8448) for the Huron Grain Leasing Limited, which occurred on November 12, 1982. The Company had been in default of payment of the account to the Telephone System and the disconnection had been given the proper notice, pursuant to section 89(3) of The Telephone Act.

However, the dispute did occur in respect to the disconnection of telephone service for the Applicant and the Triple A Driver's Service Limited.

The Applicant provided evidence that there was no default of payment of accounts for his residential telephone service (238-2702), nor for the Triple A Driver's Service Limited business telephone service (238-2525). Mr. Twynstra indicated that the accounts for both had been continuously paid, and that only the Huron Grain Leasing Limited accounts was outstanding and unpaid. Also, it was indicated that he, Mr. Twynstra and the Triple A Driver's Service Limited, suffered greatly by the unnecessary disconnection of the telephone service.

The Telephone System provided evidence on the same note in respect to the three telephone service disconnections, that is, business (238-8448) for Huron Grain Leasing Limited on December 12, 1982; business (238-2525) for Triple A Driver's Service Limited and residential (238-2702) for Mr. Twynstra on December 22, 1982, based on the default of payment of account only by the Huron Grain Leasing Limited.

The Telephone System stated that the disconnection of the two telephone services on December 22, 1982, was a result of information that the Applicant, Mr. Twynstra was "indeed the President of both Huron Grain and Triple A Driver's Services", and "the only things that were different were the telephone numbers and the company names." In other words, the Applicant was the only person who had not paid his account to the Telephone System, and therefore, his telephone numbers were disconnected, pursuant to section 89(3) of The Telephone Act.

It should be noted that the primary issue to be determined by the Commission was the meaning of the word 'person' in section 89(3) of The Telephone Act. In this respect, it is bound by The Interpretation Act (R.S.O. 1980, c.219), that is, 'person' includes a corporation . . . or other legal representative of a person . . . .

The Commission wishes to state very clearly that separate legal entities cannot be ignored. There were three persons involved: Huron Grain Leasing Limited; Triple A Driver's Service Limited; and Mr. John Twynstra. There was one person in default, that is, Huron Grain Leasing Limited, and therefore, the only person that the Telephone System could disconnect service.

The Telephone System failed to recognize these three separate legal entities to which it provided telephone services and from which it could seek due payment. Therefore, the Commission concluded that the Telephone System could not have applied section 89(3) of The Telephone Act for the purpose of disconnection of the Applicant's residential service and the Triple A Driver's Service Limited. In other words, pursuant to section 89(3) of The Telephone Act, the Telephone System may terminate telephone service only if a person is in default of payment of his account. Based on the evidence, the only 'person' in default of payment was Huron Grain Leasing Limited.

Therefore, the Commission has no alternative but to order the Telephone System to reconnect the residential telephone service for the Applicant and the Triple A Driver's Service Limited for the business telephone service. Such reconnection is to be provided immediately and without any charge as it is clear that the Telephone System failed to find any evidentiary reason for its cause to disconnect the residential telephone service and the business telephone service to Triple A Driver's Service Limited.

  
Chairman





**ORDER NO. 4198**

**Tuesday, the 18th day of January, A.D. 1983**

**BEFORE**

V. W. Bielski, Q.C.	)	IN THE MATTER of sections 6(1)
Chairman and	)	12 and 105 of The Telephone Act
	)	(R.S.O. 1980, c.496)
E. A. Frith,	)	
Member, and	)	and
	)	
M. E. Parry,	)	IN THE MATTER of an application
Member	)	by Northern Telephone Limited
	)	for approval of a change in rates
	)	for telephone service.

**HEARD AT:**

TORONTO, November 3 and 4, 1982.

**APPEARANCES:**

**For Northern Telephone  
Company, Limited**

Mr. W. Cooper,  
President and General Manager

M. C. Rand,  
Counsel

**For City of Timmins**

J. Reid,  
Industrial Commissioner

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## 1.0 ORDER

- 1.1 UPON THE APPLICATION of Northern Telephone Limited (NTL), hereinafter referred to as the Applicant, upon reading the application and other material filed and upon evidence presented during the hearing,
- 1.2 THE COMMISSION HEREBY AUTHORIZES, under and in pursuance of sections 6(1), 12 and 105 of The Telephone Act (R.S.O. 1980, c.496) the Applicant to increase local service rates to generate additional annual revenues of \$547,000.
- 1.3 THE COMMISSION ORDERS that the Applicant prepare and submit to the Commission for approval a revised rate structure to generate total additional local service revenues of \$547,000 annually based upon the estimated average revenue producing units in service during 1983.

## 2.0 BACKGROUND

On June 23, 1982, the Commission issued Order No. 4152 which approved an average rate increase of approximately 17 percent effective July 1, 1982. On July 23, 1982, the Applicant filed another application for approval of an increase in rates of approximately 17 percent to become effective January 1, 1983. This application was accepted as filed on July 29, 1982. Subsequently, the Applicant mailed a 'Notice of Application for Increased Telephone Rates' dated August 16, 1982, to each of its telephone customers. As a result of this notice, the Commission received approximately 145 customer subsections as well as 2 petitions signed by customers in Kapuskasing, Timmins, Schumacher and Iroquois Falls. In addition, Mr. J. Reid, Industrial Commissioner of the City of Timmins, provided both an oral and written presentation to the Commission.

Upon review of the evidence that had been filed, the Commission decided that a public financial hearing would be appropriate. Notices of the hearing to be held November 3 and 4, 1982 were placed in eight newspapers which are distributed in the territory served by the Applicant.

On October 22, 1982, the Commission received a copy of the restraint criteria applicable to the Administered Price Restraint Program. The program requires that administered prices, which include telephone rates regulated by the Commission, conform to the restraint criteria as set out by the Minister of Consumer and Commercial Relations. The Applicant was provided with a copy of the criteria approximately five days prior to the financial hearing. During the financial hearing the Applicant undertook to file certain information relevant to the restraint criteria. The hearing dealt primarily with other financial issues related to the rate application.

## 3.0 TEST YEAR

The Commission has employed a future test year for the purpose of determining the Applicant's additional revenue requirement. In the NTL JAN 80 rate application, a 1981 test year was used even though the rate application had been prepared during 1979. The risks associated with using a fully forecasted test year were recognized by the Commission in Order No. 3949 dated June 27, 1980;

This risk is primarily related to the uncertainties of forecasts and the possibility that the firm may realize a return in excess of the allowed range. The Applicant argued, however, that the benefits of employing a future test year outweighed the risks of earning excessive returns and reasoned that the firm would experience a loss of credibility should substantial overruns occur.

The Applicant must be able to continue to assure the Commission that the forecasts employed are reasonable and that the methodology used in forecasting is sound. The use of a future test year for determining an additional revenue requirement requires, and will continue to require additional effort on the part of the Applicant. In this regard, the Commission notes the statement made by the Applicant in NTLJAN 80 Exhibit 2, Section 7, Page 4, when the use of a future test year was first proposed.

It is recognized that the certainties included in current test year data must give way to uncertainties of forecasts and the possibility that rates may be established which would result in earnings above the allowed range. The Company believes that the benefits of using a future test year outweigh the possibility that excessive earnings might result. In the first place, the loss of credibility which would accrue to Northern Telephone Limited should substantial overruns occur would not be in its best interests. Secondly, with the permitted rate of return being determined in a range, there is room for some departure from forecasts before the limits are surpassed. Thirdly, the Commission through a regular reporting requirement, can monitor results closely and in the final analysis can order rate reductions and/or customer repayments.

It is important to note that "substantial overruns" or substantial variances are not only measured in the aggregate but are also examined by category. In this regard the Commission will continue to monitor results closely and suggests that the Applicant undertake this monitoring process both for inhouse purposes to enhance the sophistication and reliability of the forecasting techniques and to provide evidence of the accuracy of the forecasts in the context of a rate application.

For the purposes of this rate application, the Commission has accepted the Applicant's proposal to employ a 1983 test year in order to determine an additional requirement.

## **4.0 REVENUES**

The Commission has accepted the Applicant's estimates of local service and miscellaneous operating revenues for the purpose of determining an additional revenue requirement in this rate application. However, the Commission has concerns over the Applicant's estimate of 1983 toll revenue and these are discussed in detail in section 4.1.

### **4.1 TOLL REVENUES**

#### **4.1.1 *Forecasting Methodology***

When the application was filed with the Commission in July 1982, 1983 toll revenues were forecasted based on the assumption of a toll rate increase effective January 17, 1983 for all long distance calls within Ontario and Quebec. The assumption was premised on Bell Canada's rate application before the Canadian Radio-television and Telecommunications Commission (CRTC). The Applicant provided evidence in reply to interrogatory OTSCO1AUG82-102 that Bell Canada application, if approved, would result in an average toll rate increase of 16 percent. It should be noted that the Applicant could not provide the Commission with any information as to how the 16 percent was calculated. The 1983 toll revenue forecast was also based on the assumption that the Ontario Northland Transportation Commission (ONTC) would simultaneously introduce its toll rate increase at the time it was to be introduced by Bell Canada. The Applicant also assumed that the requested toll rate increase of 16 percent would result in a message toll revenue increase of 11.3 percent. This assumption was not



based on work undertaken by the Applicant but from information received from Bell Canada. During the financial hearing of November 4, 1982, Mr. Cooper, witness for the Applicant, was unable to provide any explanation on the methodology used to calculate the estimated toll message increase of 11.3 percent.

Subsequent to the filing of the Applicant's rate application, the Governor General in Council amended CRTC Telecom Decision 81-15 allowing for a 6 percent Ontario-Quebec toll rate increase effective September 1, 1982, and a further 5 percent increase effective September 1, 1983. As a result, the Applicant filed revised estimates of 1983 and 1984 toll revenue as shown in Table 1.

TABLE 1

**NORTHERN TELEPHONE LIMITED  
TELEPHONE OPERATIONS  
NTL LONG DISTANCE SERVICE REVENUE FORECASTS**

	EXHIBIT 1 SECTION 3 APPENDIX 5 Original Forecast	REPLY OTSCO1AUG82 -103 Revised Forecast
1983	\$8,882,000	\$8,559,000
1984	9,385,000	9,201,000

The revised revenue estimates were based on the assumptions that the 6 percent toll rate increase effective September 1, 1982, would increase annual toll revenues by 4.5 percent. Similarly, the 5 percent toll rate increase effective September 1, 1983, would increase annual toll revenues by 3.9 percent. The Applicant identified the difference between the percentage rate increase and the percentage toll revenue increase as a "melt".

The calculation of the "melt" was undertaken by Bell Canada and not the Applicant. As a result the Applicant was not only unable to supply the calculation of the "melt" but was unable to provide the factors, information or details used in the calculation. During the financial hearing of November 4, 1982 it became apparent that the Applicant was unable to explain the underlying assumptions and methodology used to forecast the increase in toll revenue brought about by the toll rate increase effective September 1, 1982, and September 1, 1983. The Applicant simply explained that the "melt" was a result of a curtailment in the revenue per message in addition to the curtailment in messages of 1 percent. There is some merit to the assumption that an increase in toll rates will not result in an equal percentage increase in toll revenues. However, the application of this assumption to the Applicant's 1983 toll revenue forecast has caused the Commission some concern. The reply to interrogatory OTSCO1AUG 82-103 very clearly shows that as well as using the unsupported "melt" factor of 4.5 percent for 1982, and 3.9 percent for 1983, the Applicant also reduced the number of toll messages in the calculation of toll revenue. This methodology implies a double counting effect for price elastic effects which is not adequately explained by the Applicant.

For the 1983 toll revenue estimate this resulted in an adjustment of \$160,000 to reflect the 1 percent curtailment in messages in addition to an adjustment of approximately \$268,000 to reflect the Applicant's "melt". The Commission believes that the Applicant has double counted for the effect of any curtailment brought about by an increase in toll rates.

The methodology used by the Applicant in this rate application differs from that use in prior rate applications. Unfortunately, the introduction of a 1 percent factor to reduce the number of toll messages could not be supported by any evidence. In regard to the Commission's comments in section 3.0 of this Order and the appropriate use of a future test year, it should be emphasized again that estimates, particularly those based on judgement need to be evaluated and reviewed in light of actual results. The Commission will expect the Applicant to make comparisons of 1983 actual versus estimated total and growth toll revenue and toll messages when this information becomes available.

As note above, the Applicant used a slightly different methodology for forecasting toll revenues in prior rate applications. In the past, the Applicant has employed the Bell methodology to develop estimates of revenue curtailment brought about as a result of a toll rate increase. The Applicant could not provide any details of the calculation of revenue curtailment and expressed doubt as to whether it would be made available. However, the Applicant did express confidence that the Bell model was reliable and applicable to the Applicant's serving territory. The Commission understands and appreciates the difficulty of developing a sophisticated model for forecasting toll messages. At this time, the Commission is not recommending that the Applicant should attempt to develop such a model for its own use. However, if modelling procedures are borrowed from the Bell Canada and/or subjective decision-making is employed to forecast toll revenues, the Commission will require that the Applicant be prepared to explain and defend the methodology used in forecasting the test year.

From a strictly mechanical perspective, the evidence indicates that the NTL methodology results in double counting for the effect of the reduction in toll messages. However, despite the double counting and the subjective factors included in the forecast of 1983 toll revenue, the Commission will accept the Applicant's 1983 toll revenue forecast as reasonable with the exception of the adjustments explained in the following sections.

#### 4.1.2 *Annualized Toll Revenue*

As noted in section 4.1.1 of this Order, the Applicant refiled 1983 toll revenue estimates to reflect the 6 percent toll rate increase effective September 1, 1982 and an additional 5 percent increase to become effective September 1, 1983. When the application was filed in July, 1982, the Applicant had anticipated a toll rate increase of 16 percent effective January 17, 1983. Had the 16 percent toll rate increase been approved for January 1983, the Applicant would have realized additional revenues for a 12 month period and an annualizing adjustment would not be necessary. Since the 5 percent increase will not become effective until September 1, 1983, the Applicant will realize only 4 months of additional revenues from toll. If no adjustment was made to annualize these revenues then rates set for local telephone service for 1983 would be excessive in subsequent periods, all other things being equal.

For this reason, the Commission annualizes in year changes which will have an impact on future periods and the 5 percent toll rate increase effective September 1, 1983 is one such change. Table 2 provides the calculation of this adjustment.

TABLE 2

NORTHERN TELEPHONE LIMITED  
TELEPHONE OPERATIONS

COMMISSION ADJUSTMENT TO ANNUALIZE 1983 TOLL RATE INCREASE

Increase in regular gross toll revenue representing 4 months (Reply OTSCO1AUG 82-103)	\$191,000
Additional annual toll revenues representing 12 months $191,000 \times (12/4)$	<u>573,000</u>
Adjustment to 1983 gross toll revenue representing 8 months	\$382,000
Less: ONTC Settlement $(.54405 \times 382,000)$	<u>207,827</u>
Annualizing adjustment to 1983 net toll revenue	\$174,173

4.1.3 *Trans-Canada and Canada-U.S. Toll Revenues*

The review of toll revenues in Section 4.1.1 of this Order dealt with Ontario-Quebec toll traffic only. This is, by far, the major source of the Applicant's toll revenue. In reply to interrogatory OTSCO1AUG82-103, Sheet 4 the Applicant estimates that a full 90 percent of the toll traffic is between points in Ontario and Quebec.

The toll rates for long distance calls made to points outside of Ontario and Quebec are covered by separate toll schedules. These rates, like the Ontario-Quebec rates have also been increased by 6 percent in 1982, and 5 percent in 1983. In the case of the Trans-Canada toll rates the increases become effective October 1, 1982 and 1983 and in the case of the Canada-U.S. rates the increases become effective October 18, 1982 and 1983. The Applicant has not taken these increases into account in any of the evidence filed with the Commission. Table 3 provides the Commission's estimate of the adjustment necessary to reflect 1983 additional revenues from Trans-Canada and Canada-U.S. toll traffic. In the Table below the Commission has used the impact of the Applicant's "melt" which was discussed in section 4.1.1.

TABLE 3

**NORTHERN TELEPHONE LIMITED**  
**TELEPHONE OPERATIONS**  
**TRANS-CANADA AND U.S. TOLL REVENUES**  
**1983**

Regular Gross Toll Revenue	\$16,145,000
Trans-Canada and Canada U.S. Toll portion	10%
	<u>\$ 1,614,500</u>
Effect of Toll Rate Increase	
3.9% effective October 1983 (annualized)	<u>62,966</u>
Portion Retained 44.595%	\$28,079

**4.1.4 Revised NTL/ONTC Toll Agreement**

During the analysis of the rate application and all the evidence filed in conjunction with it, the Applicant notified the Commission of a change in the toll agreement with ONTC. This notification came in the form of a letter dated December 23, 1982. The letter, signed by Mr. Cooper, informed the Commission that the initial calculation by the Applicant indicated an increase of \$386,000 for 1983.

The Commission has not had the opportunity to examine the details of the revised agreement nor has the Applicant filed any additional information regarding the revised agreement. To date the Applicant has not filed the agreement for approval pursuant to subsection 96(1) of The Telephone Act.

During the processing of the rate application the Applicant was requested to explain to the Commission the Company's expectations for the effective date and revision to the retention factor. The retention factor is negotiated between the Applicant and ONTC, and determines the portions retained by each party of the total sent-paid and received-collect toll revenue billed to customers served by exchanges of NTL. In the Applicant's reply to the interrogatory received by the Commission on September 9, 1982, it was stated that there was no indication of a toll commission increase, therefore the Company could not state an effective date or revised retention factor. Notwithstanding the reply, the Applicant has been able to negotiate with ONTC during 1982 resulting in an increase in the toll commission and an increase in the Applicant's 1983 toll revenues. For the purposes of expediting the processing of this rate application, the Commission will accept the Applicant's estimated increase of \$386,000 on 1983 toll revenue. It should also be noted that the retention factor used in Tables 2 and 3 do not reflect the new agreement but that the impact of the revised commission increase has been identified separately in Table 4.



4.1.5 *Summary of Toll Revenue Adjustments*

**TABLE 4**

**NORTHERN TELEPHONE LIMITED**  
**TELEPHONE OPERATIONS**  
**SUMMARY OF TOLL REVENUE ADJUSTMENTS**  
**1983**

Effect of annualizing toll revenue (Table 2)	\$174,173
Increase in Trans-Canada and Canada-U.S. toll revenues (Table 3)	28,079
Estimated effect of commission increase	386,000
	<u>\$588,252</u>
Less: Effect of revised forecast (Table 1)	<u>323,000</u>
Total Adjustment	<u>\$265,252</u>

In Table 9 of this Order the Commission has adjusted Other Expenses by \$2,000 to reflect additional Uncollectibles and General Services and Licences Expense which may occur as a result of the total adjustments.

**5.0 EXPENSES**

**5.1 Business Information System**

In section 4 of the application, the Applicant describes the Business Information System (BIS) department as providing "a wide range of data processing services for the Telephone Operations such as customer records and billing, general ledger, accounts payable, payroll and construction system. The department also provides data processing services to outside clients such as toll and customer billing systems for other telephone companies, municipal tax billing and data services for the provincial government". It is this dual use of the BIS department which has raised issues in this rate application. In section 4 of the rate application, the Applicant had proposed to allocate 56.3 percent of the BIS department costs to the telephone operations, while the remaining 43.7 is allocated to outside clients for 1983. The comparable allocation in 1982 was 41.6 percent to the telephone operations, and 58.4 percent to outside clients. In fact the telephone operations has consistently been allocated 41 to 43 percent of the total BIS department costs since 1979. The increase to 56.3 percent in 1983 is the major reason for the \$159,000 increase in BIS costs to the telephone operations.

Furthermore, the two-fold purpose of the BIS department (i.e. telephone operations and outside clients), give rise to another adjustment to telephone operation expenses. In section 4, Appendix 3, sheet 2, the Applicant has identified this adjustment as a data services function credit. This credit to the telephone operations is in recognition of the fact that some corporate overhead costs are related to the BIS department. Without this adjustment telephone customers would be paying rates to cover 100 percent of these corporate overhead costs even though some of the costs are created by or benefit the BIS department. In 1983 the data services function credit falls \$40,000 to \$91,000. Table 5 below shows the Applicant's BIS department costs and the data service function credit for 1982 and 1983.



TABLE 5

NORTHERN TELEPHONE LIMITED  
TELEPHONE OPERATIONS  
BIS DEPARTMENT COSTS

	<u>1982</u>	<u>1983</u>
TOTAL BIS Dept. Costs excluding overhead costs	\$1,168,500	\$1,145,100
Telephone Operations Percentage	<u>41.6%</u>	<u>56.3%</u>
BIS Dept. Costs Allocated to Telephone Operations	\$486,000	\$644,600
Less: Data Service Function Credit:		
Total BIS Overhead Costs	224,700	207,200
Outside Clients' Percentage	<u>58.4%</u>	<u>43.7%</u>
Data Service Function Credit	<u>\$131,200</u>	<u>\$ 90,500</u>
Net BIS Dept. Costs Allocated to Telephone Operations	<u>\$354,800</u>	<u>\$544,100</u>
1983 Increase		<u>\$199,300</u>
Percentage Increase		56.2%

Note: Due to the rounding of the Telephone Operations and the Outside Clients' Percentage, the products in Table 5 may appear to be incorrect.

The primary cause for the significant increase in BIS costs to the telephone operations can be traced to the anticipated loss of the Telebec Data Processing contract in 1983. The allocation of BIS costs to the telephone operations and outside clients is based on the relative proportions of total BIS Dept. usage, the relationship used to calculate the BIS dept. costs allocated to the telephone operations and outside clients can be shown as follows:

- |  |  |
|--|--|
| (1) Telephone Operations Use BIS Dept.<br>Total Use of BIS Dept.   | = portion of BIS Dept.<br>costs allocated to<br>telephone operations |
| (2) Use of BIS Dept. for Outside Clients<br>Total Use of BIS Dept. | = portions of BIS Dept.<br>costs allocated to<br>outside clients     |

It is clear from the relationship described above, that a decrease in the total use of the BIS Dept. (demoninator) brought about by a loss of the Telebec Data Processing contract will *increase* the telephone operations portion in equation (1) and therefore increase the costs allocated to the telephone operations. This will happen despite the fact that the telephone operations use of the BIS Dept. has not changed.

When outside clients *increase* their use of the services provided by the BIS Dept. the costs allocated to the telephone operations will decrease but when outside clients *decrease* their use of the services provided by the BIS Dept. the costs allocated to the telephone operations will increase, as will happen in 1983 if the Applicant's proposal is accepted. If the later circumstance was taken to the extreme and all of the outside clients either cancelled or failed to renew contracts with NTL, then telephone customers, under the Applicant's methodology, would be required to pay rates to compensate for 100 percent of the BIS Dept. costs. The Commission is concerned over this methodology for a number of reasons:

- There is little or no incentive to acquire new outside clients for data processing services.
- The telephone customers are subject to 100 percent of the risks associated with this unregulated aspect of Northern Telephone Limited.
- Usage can be measured a number of different ways and therefore the Applicant's current methodology is arbitrary.
- Unused BIS Dept. capacity can be used for the telephone operations even though additional jobs may be cost effective and will result in increasingly larger proportions allocated to the telephone operations.

It should be noted that the method used by the Applicant to allocate BIS costs between the telephone operations and outside clients was developed by the Applicant. This is in contrast to the methodology used to calculate the cost of the BIS department in total. The latter methodology was developed by P. S. Ross and Partners in a report titled 'Northern Telephone Limited Cost Analysis of Internal Data Processing Operations' dated January 31, 1978. The Commission is not questioning the P. S. Ross methodology of determining BIS costs but is reviewing the methodology used by the Applicant to allocate BIS costs between the telephone operations and outside clients.

It should also be noted that although the Commission has accepted the methodology used by the Applicant to allocate BIS Dept. costs between the telephone operations and outside clients, the Commission has not examined or approved of the Applicant's usage study. The Commission's comment from an earlier decision is appropriately repeated:

The Commission invites the Company to provide a more detailed usage analysis of the BIS Department's facilities in subsequent applications . . . (Order No. 3731 dated June 23, 1978)

Based on evidence provided by the consultant for the Applicant, the Commission decided in Order No. 3731 simply to allocate 50 percent of the BIS Dept. costs to the telephone operations. In a subsequent rate application, the Applicant did in fact employ a usage study to allocate the BIS Dept. costs. As noted earlier, the Applicant determined that 42 percent of the costs were properly allocated to the telephone operations. The reduction from a 50 percent allocation used in Order No. 3731 to a 42 percent allocation resulted in a rate increase less than what would have been required had a 50 percent allocation been employed. However, the usage

study itself was not filed with, nor examined by the Commission although the Applicant did file certain summary schedules similar to those in section 4 of the present rate application. The fact remains that although the Commission has accepted the Applicant's allocation factors in recent rate applications, the usage study undertaken to determine the allocation factors has not been examined or approved by the Commission as a methodology acceptable for rate making purposes. In the current application BIS Dept. costs allocated to the telephone operations has increased from 42 percent to 56 percent. This increase will have a significant impact on rates despite the fact that the provision of telephone service has not been the cause of the increase in costs.

Therefore, for the purpose of determining an additional revenue requirement in this rate application the Commission will apply the allocation factors used for the 1982 allocation of BIS costs for the 1983 BIS costs. Although the Commission realizes that this approach is not ideal, it does have a number of advantages. The allocation factors are readily available and verifiable, the method provides some incentive for the Applicant to replace the lost Telebec Data Processing contract with other clients, unnecessary telephone operations data processing work will not be introduced to 'take up the slack' or to manipulate the allocation factors and finally, the method reduces the upward pressure on telephone rates brought about from the BIS Dept. costs.

Table 6 provides the revised calculation of the BIS Dept. cost allocated to the telephone operations for the purpose of determining an additional revenue requirement based upon a 1983 test year. The Commission will expect that the Applicant will investigate this problem in more detail and provide the Commission with viable alternatives which will not burden its telephone customers.

**TABLE 6**  
**NORTHERN TELEPHONE LIMITED**  
**BUSINESS INFORMATION SYSTEM DEPARTMENT**  
**COMMISSION ADJUSTMENT TO**  
**BIS COSTS ALLOCATED TO THE TELEPHONE OPERATIONS**

	<u>Applicant</u>	<u>Commission</u>
TOTAL BIS Dept. Costs excluding overhead costs	\$1,145,100	\$1,145,100
Telephone Operations Percentage	<u>56.3%</u>	<u>41.6%</u>
BIS Dept. Costs Allocated to Telephone Operations	\$644,600	\$476,268
Less: Data Service Function Credit:		
Total BIS Overhead Costs	207,200	207,200
Outside Clients' Percentage	<u>43.7%</u>	<u>58.4%</u>
Data Service Function Credit	<u>\$ 90,500</u>	<u>\$121,022</u>
Net BIS Dept. Costs Allocated to Telephone Operations	<u>\$554,100</u>	<u>\$355,246</u>
Adjustment to:		
BIS Dept. Costs allocated to Telephone Operations		\$(168,332)
Data Service Function Credit		\$ 30,522

Note: Due to the rounding of the Telephone Operations and the Outside Clients' Percentage, the products in Table 5 may appear to be incorrect.

## 5.2 Wage and Salary Expense

Exhibit 26 was filed in response to a Commission request for additional information regarding 1983 wage and salary expense. On December 13, 1982, the Applicant submitted the information in confidence and the Commission has decided that Exhibit 26 is properly held confidential. The Exhibit provided the Applicant's revised forecast of 1983 wage and salary expense, and based on the information provided by the Applicant, the Commission has made an adjustment in Table 10 for the purpose of determining an additional revenue requirement.

## 5.3 Depreciation Expense

Due to the rate base adjustment to reflect the Commission's level of construction expenditures included in the rate base an adjustment is also required to depreciation expense. The Applicant's estimated 1983 composit depreciation rate is 5.86 percent and this rate has been employed to determine the adjustment of \$1,000 to depreciation expense.



## 6.0 INCOME TAXES

For the purposes of determining an additional revenue requirement in section 11.0 of this Order, the Commission has used the Applicant's tax rate of 50.9 percent as provided by the Applicant in reply to interrogatory OTSCO1AUG82-603. It is also appropriate to note that in this Order, the Commission will use the Applicant's rate of .5 percent of additional gross revenues to reflect additional expense for general services and licences expense, and a rate of .5 percent of additional gross revenues to reflect additional uncollectibles.

## 7.0 RATE BASE

The Applicant has used the 1983 book value of average total capital based on the assumption that the proposed rates are *approved in full* and become effective January 1, 1983. When asked in interrogatory OTSC13AUG82-510 why this approach was appropriate the Applicant indicated that a rate base reflecting the full rate award sought allows the Company to provide a more reasonable and credible estimate of the 1983 financial results.

The answer seemed to imply that a rate base without taking the proposed rates into account would provide financial data which is not credible. It is the Commission's view that the purpose of the Additional Revenue Requirement Calculation is, as the name suggests, to calculate the additional revenues needed to satisfy the Applicant's financial requirement. During the financial hearing of November 4, 1982, this area was examined in more detail. Mr. Cooper, witness for the Applicant, suggested that a rate base which reflected the full effect of the proposed rate increase was preferable because that would be the way which third parties would measure 1983 financial results of the operation of the Company. It was not explained why it was necessary to present information to the Commission, for rate making purposes, on the same basis as the information provided to external users. The Applicant, by this time, must be aware of the approach determined by the Commission. In Order No. 4151 dated June 9, 1982, it is clear that the rate base is measured without rate relief and the additional revenue requirement approved in the Order was determined on that basis. In Order No. 3949 dated June 27, 1980, the Commission employed a 1981 test year with a rate base measured without rate relief.

In this rate application, the Commission is not persuaded by the Applicant and continues to measure the rate base without rate relief.

It should be made clear that the Commission's method of calculating the rate base in no way dictates the form or content of the information provided by the Applicant to external information users such as lenders. Nevertheless, if the Applicant has substantive reasons for employing a rate base calculated with rates, the Commission is open and willing to hear such reasons in the context of any future rate application.



## 7.1 Working Capital

The Applicant's methodology of presenting the calculation of the rate base has been the cause of some confusion. In Exhibit 1, Section 8, Appendix 3, the Applicant shows working capital as one of the components of the rate base. 1983 working capital is provided under both assumptions of with full rate relief and without rates. Working capital with rates is included in the rate base used by the Applicant to calculate the additional revenue requirement. The presentation is confusing because section 7 of the application, titled Working Capital, provides 3 pages of calculations supporting working capital *without* rate relief. It was not until the the Commission specifically requested the Applicant to file the calculation of working capital without rate relief that the Commission was able to examine this component of the rate base. When questioned why the section in the application dealing with working capital assumed no rate relief, whereas the additional revenue requirement calculation assumed working capital with rate relief, Mr. Cooper witness for the Applicant, indicated that "... there has to be a starting point because we have to determine what would happen to the Company's operation if we don't have rates increased." However, Mr. Cooper also admitted that the working capital without rate relief calculation was not used in the additional revenue requirement calculation. It would have been helpful to the Commission in its analysis had the Applicant at least identified the working capital calculation in Exhibit 1, section 7, as being without rates. This important point of calculation was omitted entirely from the application.

The calculation of the rate base for a future test year is of critical importance and the Applicant should be fully prepared in future rate applications to justify and defend not only the methodology used to calculate the rate but also the format of the calculation.

## 7.2 Adjustment for Construction Program

In Section 8 of this Order the Commission has outlined the reasons for denying the proposed accounting refinements at this time. In Section 11 of this Order, the Commission has determined that the proper level of construction expenditures to be included for rate making purposes should be equal to \$8,400,000. This level of construction expenditure does not include the effect of accounting refinements. In reply to interrogatory OTSC14DEC82-314 the Applicant has proposed \$8,369,000 in construction expenditures, expressed in 1983 dollars and without accounting refinements. To adjust for the approved level of construction expenditures, the Commission has made an adjustment of \$16,000 to reflect the difference between the approved and proposed level of 1983 average construction expenditures.

## 7.3 Calculation of Rate Base

Table 7 below provides the calculation of the 1983 rate base as provided by the Applicant and accepted by the Commission for the purpose of the calculation of the 1983 additional revenue requirement in Table 11.

TABLE 7

**NORTHERN TELEPHONE LIMITED**  
**TELEPHONE OPERATIONS**  
**AVERAGE NET ASSET RATE BASE**

1983

(\$000)

	Reply Interrogatory OTSC15SEPT82-913	Commission Adjustment	Revised
1. Total Telephone Property	67,567	16	67,585
2. Less: Accumulated Depreciation	21,449	1	21,450
3. Net Telephone Property	46,120		46,135
4. Materials and Supplies	629		629
5. Working Capital	(1,554)		(1,554)
6. Sub-Total	45,195		45,210
7. Less: Deferred Taxes	8,009		8,009
8. Average Total Capital	37,186		37,201

## 8.0 ACCOUNTING REFINEMENTS

The proposal for accounting refinements was first presented to the Commission in the NTL JAN 80 rate application. Essentially, it was the Applicant's proposal at that time, and is in the current rate application to expense more of the costs which are currently capitalized construction expenditures. For rate making the increase in reported expenses will create a higher additional revenue requirement. The accounting refinements effect the rate base simply because less of the cost of the construction program is allocated to the rate base and more of the cost is allocated to expenses.

The primary reason for expensing some of the costs which had been capitalized in the January 1980 rate application was the introduction of certain criteria which subsequently have been included in the Commission's Uniform System of Accounts (USOA). Section 2.22, Note K(a) of the USOA states:

All overhead costs which vary with the level of construction activity shall be capitalized. These include overhead construction costs such as engineering, supervision, applicable administrative office expenses, relief and pensions, taxes, interest, and any other costs which vary indirectly with the level of construction. These costs shall be charged to particular jobs or items at the time the item of plant is retired.

and in Section 2.22, Note K(d),

Those costs which relate to the general operation and administration of the business and which do not vary with the direct costs, shall be expenses in the year of occurrence

Nevertheless, the Commission is concerned about the impact of the introduction of accounting refinements in the manner proposed by the Applicant. In reply to interrogatory OTSC15SEPT82-913, the Applicant estimated that these accounting refinements would add an additional \$291,000 to the revenue requirement. The refinements *alone* would require an average increase of 2.5 percent on those services subject to the rate application.

In the January 1980 rate application, the Applicant had originally proposed to "phase in" the accounting refinements over a period of six years. However, in the NTL JAN 80, Exhibit 11, rate application the Applicant recognized that the effect of implementing the Accounting Refinements over a six year period would have an undue impact on telephone subscribers' rates. In order to minimize the effect the Company decided to implement the refinements over a 10 year period instead of only 6 years. The Applicant has proposed to include the full effect of the accounting refinements in 1983. In the current rate application, customers would pay higher rates for the full impact of the accounting refinements commencing January 1, 1983, if the Applicant's proposal was accepted. Given the poor economic conditions of the Applicant's serving territory described in section 2 of the rate application, the introduction of accounting refinements at this time would only serve to add an additional burden on the Applicant's customers for no other reason than a change in accounting procedures. The Applicant's proposal to introduce the accounting refinements on a "flash cut" approach rather than a phase in approach further compounds the impact on telephone customers.

For the purposes of this rate application, the Commission concludes that the Applicant's proposed accounting refinements are entirely inappropriate at this time. Tables 10 and 11, used to calculate the Applicant's additional revenue requirement do not include any adjustments for accounting refinements.

## **9.0 RATE OF RETURN**

### **9.1 Capital Structure**

The capital structure weights to be applied to each source of financing are an important element in determining the allowed rate of return. The Commission has concluded in previous Orders that the appropriate capital structure to use for the telephone operations is equal to the test year estimated average capital structure of the Applicant without rate relief. (See section 7.0 of this Order.) The capital structure of the Applicant's total operations taken from the reply to interrogatory OTSC15SEP82-913 is presented in columns (a) and (b) of Table 8.

The dollar amounts of debt, preferred, and equity capital allocated to the telephone operations is presented in column (c) of Table 7. This is obtained by applying the Applicant's capital structure weight for each source of funds to the telephone operations rate base. This method ensures that the sum of the sources of financing for the telephone operations equals the measured rate base.

The existence of an investment division and a BIS division and the use of a net asset rate base for rate making requires that the Commission employ the capital structure weights of Northern Telephone Limited as an approximation of the capital structure of the telephone operations. The Commission is not persuaded to accept that sources of financing can be identified for the exclusive use of specific divisions. Therefore, until there is a suitable change in the structure of the Applicant's operations, the Commission will continue to employ the capital structure weights of the total operations of Northern Telephone Limited to calculate the overall cost of debt and preferred equity of the telephone operations.



**TABLE 8**  
  
**TELEPHONE OPERATIONS**  
**1983 AVERAGE CAPITAL STRUCTURE**

	<b>NLT Total Operations</b>		<b>Telephone Operations</b>
	<b>(a) (\$000)</b>	<b>(b) (%)</b>	<b>(c) (\$000)</b>
1. Total Debt	28,228	45.0	16,740
2. Preferred Equity	9,064	14.4	5,357
3. Common Equity	25,434	40.6	15,104
4. Total	<u>62,726</u>	<u>100.0</u>	<u>37,201</u>

## 9.2 Cost of Debt Capital

In Section 8 of the rate application, the Applicant listed average outstanding debt for 1983, the rates associated with each debt and the weighted cost of the long term debt. At the time the rate application was filed, the Applicant forecasted \$4,281,000 in outstanding short term notes at a rate of 18.25 percent per annum. In July, 1982, when the application was filed, the prime interest lending rate average was 17.5 percent. At the time of the financial hearing commencing November 3, the interest rate had fallen to approximately 13.5 percent. These rates only reflect than interest rates at a specific point in time. However, these rates in addition to the observation that rates have fallen dramatically since the Applicant prepared the rate application, require recognition, in the context of this rate application. Without, in any way, attempting to forecast interest rates for 1983, the Commission has adjusted the Applicant's cost of short term notes downwards by 4 percentage points to 14.25 from 18.25 in recognition of the decrease in interest rates in recent months, and more specifically to reflect the decline rates from the time the application was filed to the time the application was heard. This adjustment results in a decrease in the embedded cost of long term debt from 11.18 percent to 10.57 percent. In Table 9, the Commission has also adjusted Interest Charges by \$101,000 to reflect the change in interest rates.

## 9.3 Cost of Preferred Equity

The Commission will employ a cost of preferred equity of 6.09 as provided by the Applicant in section 8, Appendix 7.

## 9.4 Cost of Common Equity

In the rate application filed October 1981, the Applicant provided expert testimony and extensive evidence on the appropriate rate of return on common equity. At that time the Applicant proposed a range of 17.5 to 18.5 percent. The Commission determined that not only would a rate of return on equity in the range of 15.5 to 16.5 percent maintain the financial integrity of the Applicant but would be fair and reasonable considering the relatively secure business and financial environment of Applicant.

The current rate of application was prepared in accordance with that finding and the Applicant adopted 16.5 percent at the high end of the range for the additional revenue requirement calculation. Traditionally, the Commission employs the midpoint of the approved range. This approach not only offers an incentive to the Company to achieve the high end of the range, but also balances the interests of the Applicant and customers.

## 9.5 Allowed Range on Total Capital

**TABLE 9**  
**NORTHERN TELEPHONE LIMITED**  
**TELEPHONE OPERATIONS**  
**1983 COST OF CAPITAL**

	<u>Capital Structure Weights</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
1. Total Debt	45.0	10.57	4.76
2. Preferred Equity	14.4	6.09	.88
3. Common Equity	<u>40.6</u>	<u>15.5-16.5</u>	<u>6.29-.70</u>
4. Total	100.0		11.93-12.34

The additional revenue requirement calculation is based on a rate of return on total capital of 12.14 which is the midpoint of the range.

## 10.0 REVENUE REQUIREMENT

The additional revenue requirement, for the purpose of this application, is based on a 1983 test year. The subject of test year and the Commission's findings with respect to this matter are presented in Section 3.0 of this Order.

Table 11 presents the calculation of the additional revenue requirement and Table 10 presents the estimated 1983 income statement reflecting the Applicant's submission and the Commission's adjustments.

Based on the findings in this Order and on the calculation of the additional revenue requirement in Table 11, the Commission concludes that the Applicant has an additional revenue requirement of \$547,000 for the 1983 test year.



**TABLE 10**  
**(\$000) Except Lines 19 & 20**  
**NORTHERN TELEPHONE LIMITED**  
**TELEPHONE OPERATIONS**  
**1983 INCOME STATEMENT**

	Applicant Interrogatory OTSC15SEP82-913	Commission Adjustments	Commission Revised Income Statement
1. Local Service	12,297		12,297
2. Long Distance Service	8,882	265	9,147
3. Miscellaneous Operating	1,539		1,539
4. <b>Total Operating Revenues</b>	<u>22,718</u>		<u>22,983</u>
5. Depreciation	3,897	1	3,898
6. Customer Services:			
(a) Maintenance	4,507		4,507
(b) Sales	455		455
(c) Commercial	1,319		1,319
(d) Staff Budget and Results	281		281
7. Traffic	186		186
8. Other	6,339	(715)	5,624
9. <b>Total Operating Expenses</b>	<u>16,984</u>		<u>16,270</u>
10. <b>Net Operating Revenues</b>	5,734		6,713
11. Income Taxes	1,966		2,517
12. <b>Operating Income</b>	3,768		4,196
13. Other Income	57		57
14. <b>Net Income</b>	3,825		4,253
15. Interest Charges	1,870	(101)	1,769
16. <b>Net Income</b>	1,955		2,484
17. Preferred Dividends	327		327
18. <b>Net Income Available to Common Shareholders</b>	<u>1,628</u>		<u>2,157</u>
19. Rate of Return on Average Common Equity	10.8%		14.3%
20. Rate of Return on Average Total Capital	10.3%		11.4%
21. Average Common Equity	15,078		15,104
22. Average Total Capital	37,186		37,201

**TABLE 11**  
**(\$000)**  
  
**NORTHERN TELEPHONE LIMITED**  
**TELEPHONE OPERATIONS**  
**1983 TEST YEAR**  
**ADDITIONAL REVENUE REQUIREMENT**

1. Rate Base	37,201
2. Allowed Rate of Return	<u>12.14%</u>
3. Revenue Requirement before Expenses	4,516
4. Total Income Available	<u>4,253</u>
5. Additional Revenue Requirement before Taxes and Uncollectibles	263
6. Allowance for additional Taxes and Uncollectibles	<u>284</u>
7. Total Additional Revenue Requirement	<u>547</u>
8. Average Rate Increase Required for Services Effected by the Application	4.6%

## 11.02 CONSTRUCTION PROGRAM

### 11.1 Historical Levels of Construction Expenditures

In Order No. 4151, dated June 9, 1982, the Commission expressed concern about the increase level of construction expenditures estimated for the 1982 to 1985 period. In particular, the Commission noted that the purchase and installation of digital switches in Timmins and the Tri-Town area resulted in extraordinary levels of expenditures in 1982 and 1984. The Commission, having reviewed the estimated construction program to 1985, expressed concern that the level of expenditures should return to more acceptable historical levels after that time. The concern expressed in Order No. 4151 is repeated below:

The purchase and initial installation of a digital switch is not an ongoing expenditure and therefore it is expected that construction expenditures will decrease to a more normal level in 1985. The completion of the rural upgrade program in 1985 and the purchase and installation of the digital switches in Timmins and the Tri-Town area during 1982 and 1984 respectively should indicate that construction expenditures will resume to a level which is not a burden to the Applicant or to its customers.

As a result of the significantly high level of construction expenditures planned for the period 1982 to 1985, the Commission examined in detail the three major areas of construction expenditures identified as:

1. The rural upgrade program, which began in 1976 and which was scheduled for completion in 1985, is designed to provide a minimum level of four party service to all rural subscribers on multi party lines.

2. The installation of digital switches to replace electromechanical switching equipment. Eventually the network will consist of a number of small digital remote units connected to four large switching centres. The first of these four has been installed in Kapuskasing, the next two were scheduled for Timmins in 1982, and New Liskeard in 1984. The Applicant has not yet scheduled the fourth, smaller installation for Kirkland Lake. Where additional capacity has been required for growth, the Applicant has been installing digital equipment.
3. The switching modernization program is the third major area of construction expenditure. Under this program, the Applicant will complete the replacement of older technology switching equipment with digital equipment.

Table 12 provides the historical level of annual construction expenditures to 1980 and estimates to 1984 prepared by the Applicant in the October 1981 rate application. In both the NTL JAN 80 rate application and in the current application the Applicant proposed certain accounting refinements, which in essence, would have expensed certain costs which were capitalized. After a detailed analysis of the reasons for the Applicant's proposals the Commission denied the accounting refinements (Section 8). Consequently, Table 12, columns B and D, restates construction expenditures for the period 1979 to 1984 inclusive, to net out the effect of the accounting refinements. Table 12 also restates construction expenditures from current dollars to 1971 dollars. This permits a comparison of annual construction expenditures without the effect of inflation, and permits the identification of extraordinary expenditure items in certain years.

**TABLE 12**  
**(\$000)**  
**NORTHERN TELEPHONE LIMITED**  
**TELEPHONE OPERATIONS**  
**CONSTRUCTION EXPENDITURES**

<u>Year</u>	<u>Current Dollars</u>		<u>1971 Dollars</u>	
	With Accounting Refinements (A)	Without Accounting Refinements (B)	With Accounting Refinements (C)	Without Accounting Refinements (D)
1973	—	2,813	—	2,487
1974	—	4,071	—	3,252
1975	—	3,922	—	2,869
1976	—	5,353	—	3,607
1977	—	5,155	—	3,337
1978	—	4,232	—	2,542
1979	5,708	5,829	3,152	3,219
1980	5,759	5,900	2,914	2,986
1981*	6,819	7,015	3,121	3,211
1982*	8,502	8,768	3,507	3,617
1983*	7,477	7,927	2,817	2,987
1984*	9,702	10,369	3,357**	3,588

\* Estimated

\*\* Calculated using: 9.2% over 1983.

References: NTLFEB77 - Exhibit 3, Appendix 9  
NTLJAN80 - Exhibit 1, Section 5  
NTLOCT81 - Exhibit 2, Section 5  
NTLJUL82 - Exhibit 1, Section 6  
Reply to OTSC14DEC82-314  
Reply to OTSC19NOV81-331

**TABLE 12**  
**(\$000)**

**NORTHERN TELEPHONE LIMITED**  
**TELEPHONE OPERATIONS**  
**AVERAGE CONSTRUCTION EXPENDITURE EXPRESSED IN 1971 DOLLARS**  
**WITHOUT ACCOUNTING REFINEMENTS**

<b>Period</b>	<b>Average Expenditure</b>
1973 - 1980	\$3,037
1981 - 1984	3,351

Table 12 above shows that construction expenditures for the 8 year period of 1973 to 1980 has been approximately \$3,037,000 expressed in 1971 dollars. The average includes an extraordinary expenditure of \$2,000,000 (current dollars), for the construction of the Timmins Building Complex in 1976 and 1977. There has been a substantial increase of \$314,000 in average construction expenditures for the period 1981 to 1984 inclusive. The increase in average construction expenditures to \$3,351,000 can be accounted for by the purchase of the large digital switches for Kapuskasing in 1981, Timmins in 1982, and New Liskeard in 1984.

It is important to note that the historical level of average expenditures of \$3,037,000 includes the cost of outside plant work for the rural upgrade program. When the upgrade program commenced in 1976, the total cost was estimated at approximately \$10,000,000 (current dollars), averaging \$1,500,000 per year for the years 1982 to 1985 inclusive. After 1985 it was the Commission's expectation that the amount formerly budgeted for the upgrade program would be devoted to switching modernization. Under the digital program, it was the Applicant's intention to add digital lines at a rate of 1,800 per year until 1985 to keep pace with demand for telephone service. Beyond 1985 it was the Applicant's plan to add 3,000 lines per year for growth and modernization. Although 44,000 lines would be candidates for replacement in 1985, no cost estimates were provided for the conversation of 3,000 lines per year. Table 14 is a summary of the estimated cost of the Rural Program and the Digital Program as provided by the Applicant in reply to interrogatory OTSC19NOV81-331.



**TABLE 14**  
**(\$000)**  
  
**NORTHERN TELEPHONE LIMITED**  
**TELEPHONE OPERATION**  
**PROGRAM CONSTRUCTION EXPENDITURES**

<u>Year</u>	<u>Rural Program</u>	<u>Digital Program</u>
1977	396	—
1978	743	—
1979	1,156	285
1980	1,051	393
1981*	1,133	659
1982*	1,166	2,766
1983*	1,575	1,155
1984*	1,793	3,207
1985*	1,072	N/A

\* Estimates

Source: Interrogatory OTSC19NOV81-331

The Commission observed, in Order No. 4151, dated June 9, 1981, that the plan to modernize switching at a rate of 3,000 lines per year could mean that the level of expenditures may not return to historical levels.

In Order No. 4151, dated June 9, 1981, the Commission expressed the following concern:

The completion of the rural upgrade program in 1985 and the purchase and installation of the digital switches in Timmins and the Tri-Town area during 1982 and 1984 respectively, should indicate that construction expenditures will resume to a level which is not a burden to the Applicant or to its customers. However, after 1984 the Applicant plans to increase the rate of modernizing switching equipment to a level of 3,000 lines per year. As a result, total annual construction expenditures will not fall in 1985 but will be maintained at a level of eight to ten million dollars per year. The Commission is concerned over the level of expenditures proposed by the Applicant to modernize switching equipment.

The Applicant indicated that a range of \$8 million to \$10 million per year would be required, and the more likely was near the \$8 million level. Any increase in the rate of modernization would increase the level of expenditures.

The view of the Commission was that the Applicant should review the rate of modernization to ensure that the level of construction expenditures will average \$8 million per year in the period 1982 to 1986 inclusive, and not escalate to the \$10 million level.

In calculating the rates required for the 1982 test year, the Commission therefore normalized the extraordinary expenditures in 1982 and 1984 and used \$8 million for inclusion in the rate base. This amount was subject to some allowance for charges in estimates of inflation and growth. The Commission stated its intention to monitor the effect of the adjustment very closely and re-evaluate its effectiveness in future rate applications.

## 11.2 Revised Estimates

As a result of Order No. 4151, the Applicant revised its construction estimates as follows:

**TABLE 15**  
**(\$000)**  
  
**NORTHERN TELEPHONE LIMITED**  
**TELEPHONE OPERATIONS**  
**COMPARATIVE ESTIMATES**  
**(NO ACCOUNTING REFINEMENTS)**

Current Dollars Year	NTL OCT81 (a)	NTL JUL 82 (b)
1981	7,015	7,204 (actual)
1982	8,768	8,061
1983	7,927	8,369
1984	10,369	8,602
1985	—	10,529

Source: Interrogatories OTSC14DEC82-314, 315; OTSC19NOV81-331.

The procedure used by the Applicant to set the levels of expenditures for 1982 to 1984 was to use \$8 million on the assumption that no allowance would be made by the Commission for changes in the estimates for inflation or for growth. Order No. 4151 made it clear that this was not the case on page 26:

For the purposes of rate making, the Commission will normalize the extraordinary expenditures for the purchase and installation of the large digital switches in 1982 and 1984. Therefore, for the period 1982 to 1986 the Commission will use annual construction expenditures of \$8 million for inclusion in the rate base with some allowance for changes in inflation and growth estimates.

The Applicant submitted that the reference to "some allowance" was not sufficiently clear and consequently, made no allowance for changes in inflation or growth. In the Commission's view, such an approach is not realistic. If, for example, the rate of inflation should increase to a rate in excess of that estimated by the Applicant, and no adjustment was made to the \$8 million included in the rate base, real construction expenditures, measured in 1971 dollars, would decrease.

The most significant changes brought about to the NTL JUL 82 construction program to bring it into conformance with Order No. 4151 were:

1982	Parts of the Rural Upgrade Program deferred to future years.	\$ 416,000
	Part of the DMS100 installation in Timmins to be implemented in 1983.	\$ 348,000
1983	The Kapuskasing Work Centre Complex project advanced from 1984	\$ 300,000
	PBX installations which were not anticipated	\$ 865,000

1984	Deferrel of the DMS10 in New Liskeard to 1985	\$ 911,000
1985	Change DMS10 to DMS100 in New Liskeard	\$2,351,000
1986	Rural Upgrades deferred from 1982-1985	\$1,095,000

The estimates for the period 1982 to 1985 in constant dollars and with no accounting changes are now:

<u>Year</u>	<u>(\$000)</u>
1982	3,315
1983	3,153
1984	2,968
1985	3,333
Average	3,195

This level of \$3.2 million compares with \$3.0 million in actual results for the 1973-1980 period. The difference represents exceptional expenses in 1982 and 1985 for the two large digital installations.

### 11.3 1983 Test Year

In Order No. 4151 the construction estimates were set at \$8 million for the purpose of calculating rates based on the 1982 test year estimates. The Commission has reviewed the changes in the Applicant's estimates and is now of the view that the level should be adjusted upwards to \$8.4 million. This level will be used in the 1983 test year for rate calculations. The adjustment of \$400,000 reflects the fact that the accounting changes sought by the Applicant have not been authorized at this time.

The Applicant has not revised the growth or the inflation estimates and consequently there will not be a further adjustment at this time to the estimated level of construction expenditures.

The Commission will use the \$8.4 million level of expenditures normalized for the 1983-86 period and the Commission will re-evaluate its effectiveness in future rate applications and determine if further adjustments are required.

The adjustments would arise from a change in inflation or growth estimates. Any change in those estimates would be reviewed by the Commission, and if accepted, they would be used to revise the \$8.4 million level. It should be noted that in the past, the Commission has accepted the Applicant's composite inflation estimates as presented.

The Commission will continue to monitor the level of construction expenditures and the related estimates, and the Commission expects that after the installation of the larger DMS switches, the level would return to the historical levels of \$3.0 million in 1971 constant dollars.

### 11.4 Rural Program

The Commission has closely followed the progress of the Rural Upgrade Program which was to be completed in 1985. The Commission is now concerned with the revised schedule which will extend to 1986. This was done to reduce the overall level of expenditure in the 1982 to 1985 period and it resulted in the deferral of many projects, some of which have been subject to earlier deferrals.

Table 16 below shows the revisions to the Rural Upgrade Program since March 1981, and provides the actuals since 1976.

**TABLE 16**  
**(\$000)**

**NORTHERN TELEPHONE LIMITED**  
**TELEPHONE OPERATIONS**  
**RURAL UPGRADE PROGRAM**

Estimate at March 30, 1981 (OTSC27JUN80 ORDER 3949 1(f))

<u>Year</u>	<u>(\$000.)</u>	<u>Subscribers</u>
1981	820.8	459
1982	1,082.6	555
1983	1,173.4	393
1984	1,173.4	433
1985	978.0	282
	<u>5,227.9</u>	<u>2,122</u>

Estimate at December 21, 1981 (OTSC19NOV81-701)

<u>Year</u>	<u>(\$000.)</u>	<u>Subscribers</u>
1981	1,023.2	258
1982	966.0	538
1983	1,465.2	508
1984	1,695.0	487
1985	907.3	255
	<u>6,056.7</u>	<u>2,046</u>

Estimate at July 7, 1982 (OTSC27JUN80 ORDER 3949 1(f))

<u>Year</u>	<u>(\$000.)</u>	<u>Subscribers</u>
1981 (actual)	989.2	225
1982	550.1	331
1983	1,321.2	338
1984	1,577.0	561
1985	1,015.2	302
1986	1,094.9	277
	<u>6,547.6</u>	<u>2,084</u>

TABLE 15: (Continued)

Estimate at September 9, 1982 (OTSC16AUG82-313 and Filing 1(a) July 23, 1982, further to Order No. 3949.

<u>Year</u>	<u>(\$000)</u>	<u>Subscribers</u>
1976 Actual	300.0	N/A
1977 Actual	396.0	281
1978 Actual	743.3	57
1979 Actual	1,156.4	750
1980 Actual	885.6	631
1981 Actual	989.2	225
1982 Estimate	550.1	331
1983 Estimate	1,321.2	388
1984 Estimate	1,577.0	561
1985 Estimate	1,015.0	302
1986 Estimate	1,094.9	277
	<u>10,028.7</u>	<u>3,803</u>

The Commission observes, however, that there is a major recession under way and that restraints are needed in these times. The Commission notes that the Applicant has reduced its estimate for construction in 1982, this has also been the case with many of the major telephone companies in Canada during 1982.



Chairman



ORDER NO. 4221

Tuesday, the 26th day of April, A.D. 1983

BEFORE

V.W. Bielski, Q.C.,	)	IN THE MATTER of sections 6(1),
Chairman,	)	12 and 105 of The Telephone Act,
	)	(R.S.O. 1980, c.496),
R.D. Sloan,	)	
Vice Chairman, and	)	and
	)	
G. Klosler,	)	IN THE MATTER of an application
Member.	)	by North Frontenac Telephone
	)	Company Limited for a change in
	)	the rates for local telephone
	)	service.

HEARD AT:

Sharbot Lake, February 7, 1983.

APPEARANCES:

For: North Frontenac Telephone Company Limited -	- H.J. Schmidt, Secretary Treasurer.
For: Working Group on Telephone Rate Increases	- R. Greenstreet; - T. Smith; - R. Lovelace.
For: Individual Intervenors	- S. Pashkewicz; - B. Harris; - B. Warren.

WITNESSES:

For: North Frontenac Telephone Company Limited -	- H.J. Schmidt, Secretary Treasurer; - R. Pratt, Plant Manager; - C. Parks, Office Manager.
For: Working Group on Telephone Rate Increases	- G. Reid; - C. Pepper; - R. Miller; - J. Love; - F. Hollywood; - J. Raymo.

## 1.0 ORDER

- 1.1 UPON THE APPLICATION of North Frontenac Telephone Company Limited, herein-after referred to as the Applicant, upon reading the said application and other material filed, and upon evidence presented during the hearing,
- 1.2 THE COMMISSION HEREBY DENIES, under and in pursuance of sections 6(1), 12, and 105 of The Telephone Act (R.S.O. 1980, c.496), for the Applicant, an increase in rates for local telephone service.

## 2.0 BACKGROUND

The Applicant filed an application for approval of changes in local telephone service rates and non-recurring service charges on August 5, 1982. The Applicant requested approval for an additional \$32,246.40 in local service revenues based on a current 1982 test year. This amount would be generated by an average increase of 29% for residential and business services, and non-recurring service charges. As indicated in the application, the rate increase proposed was premised on the Applicant's desire to have a rate structure comparable to that in the neighbouring Bell Canada served areas. Further reasons became apparent during the Commission's review. These were to contribute towards the reduction of the deficit, the repayment of the shareholder's loan, and the paying of dividends.

On September 1, 1982, the Applicant mailed a Notice of Application to each customer which set out the present and proposed rates. Written interventions were to be filed with the Commission. The Commission, as a result of the notice, did receive 14 individual submissions and one petition with 327 individual signatures.

Notice of the Public Hearing to be held in Sharbot Lake on February 7, 1983, was placed in the Kingston Whig Standard on January 24 and January 31, 1983, and the Westport Rideau Valley Mirror on January 26 and February 2, 1983. The Hearing was held in the Township Hall, Sharbot Lake, on Monday, February 7th, 1983, at 8:00 p.m., wherein the Commission was able to hear matters in respect to both the service quality and the financial aspects.

The Commission's findings with respect to the financial aspects of the application are contained in Sections 3.0 to 8.0 of this Order.

## 3.0 TEST YEAR

The use of a test year for a revenue requirement calculation permits the Applicant and the Commission to focus on a set of financial data for a particular operating period adjusted for known changes.

The Applicant, in its application, utilized a current 1982 test year. The Commission, after reviewing the application and subsequent evidence filed, determined that a 1982 historic test year would better reflect the financial requirements of the Applicant. The Applicant's audited Financial Statements for the fiscal year ended November 30, 1982, indicated a net income of \$49,883 after interest charges and income taxes. This compares to the amount shown in the application for the same period of \$7,800<sup>(1)</sup>. The Commission, for the purpose of its review in this application, decided not to make adjustments to the 1982 Financial Results as reflected in the audited Financial Statements for the Applicant, as it was felt that any such changes would not affect its decision and would be more appropriately addressed in future submissions.

(1) Exhibit 2, Page 5, Line 13, Column D

#### 4.0 RATE BASE

The Commission, generally, in its review of an application, and pursuant to section 12 of The Telephone Act is doing so as to:

"...inquire whether the rates and tolls charged for the service rendered by a telephone system...are sufficient to pay the funded debt and interest accruing thereon and the cost of operation and maintenance and a reasonable return on **capital investment**, ...".

The Commission, for the purpose of this application, intends on its own volition to determine the invested capital normally provided in any general rate increase application.

The Commission also considered the Net Asset Rate Base Approach in trying to determine the most appropriate rate base. The information from the Financial Statements reflecting the telephone plant assets was not acceptable for determination of the rate base because of the inconsistent treatment of depreciation procedures and calculations. Consideration by the Commission of the possibility of utilizing the appraisal value of the telephone plant was similarly dismissed because this would have meant a significant departure from Commission policies.

Therefore, with the 1982 Financial Results providing the basis for the Commission's review (see Section 3.0) and utilizing the Invested Capital Rate Base Methodology, a rate base amount of \$817,930 is determined as shown by Table I.

**TABLE I:**

**North Frontenac Telephone Company Limited  
Components of Invested Capital Rate Base  
November 30, 1982**

1. Long-Term Debt <sup>2</sup>	\$174,250
2. Due to Shareholder <sup>2</sup>	581,273
3. Preferred Shares <sup>2</sup>	49,775
4. Common Shares <sup>2</sup>	15,770
5. Deficit <sup>2</sup>	<u>(3,138)</u>

Section 5.0 deals with the treatment of the Rate Base Component – Due to Shareholder, in the determination of the Rate of Return.

#### 5.0 RATE OF RETURN

One of the major issues facing the Commission in this application was the treatment of the shareholder's loan as to whether it should be considered long-term debt or investment equity. Since there has been no indication of repayment of the shareholder's loan for a considerable period of time, the Commission has recognized, for regulatory purposes, this amount as an equity equivalent. Therefore, the Commission has determined that the amount indicated in Table I as Due to Shareholder (\$581,273) to be equity, an approach not unfavorable to the Applicant. The Commission is of the view that a range of rate of return on equity of 16 to 18 percent is reasonable, and due to the size of the Applicant's operations, used 18 percent in its calculations. The resulting Capital Structure and costs are presented in Table II.

<sup>2</sup> North Frontenac Telephone Company Limited's, November 30, 1982  
Audited Financial Statements.

<sup>3</sup> Sum of items 2, 4 and 5 from Table I.

TABLE II:

**North Frontenac Telephone Company Limited**  
**Calculations of Cost of Capital as at**  
**November 30, 1982**

	Capital \$	Structure %	Cost %	Weighted Cost %
Debt	\$174,250	21.30	8.625	1.84
Preferred Equity	49,775	6.09	6.000	.37
Common Equity	593,905 <sup>3</sup>	72.61	18.000	13.07
	<u>\$817,930</u>	<u>100.00</u>		<u>15.28</u>

**6.0 REVENUE REQUIREMENT**

The calculation used by the Commission to determine whether or not additional revenue is required by the Applicant, and to what extent is shown in Table III.

TABLE III

**North Frontenac Telephone Company Limited**  
**Calculation of Revenue Requirement**

1. Total Capital	\$817,930 <sup>4</sup>
2. Rate of Return	15.28% <sup>5</sup>
3. Total Income	\$124,979
4. Total Income Without Relief	\$150,227 <sup>6</sup>
5. Additional Revenue Requirement	(\$25,248)

The negative amount shown for Additional Revenue Requirement indicates that increased rates are not warranted. It is this calculation and the related considerations that upheld the Commission's decision to deny any increase in local service rates.

Having regard to the requirements of section 12 of the Telephone Act, the Commission is satisfied that the current level of rates is sufficient to service the outstanding debt of the Company and provide a reasonable return on the deemed equity capital.

<sup>4</sup> Section 4.0, Table I

<sup>5</sup> Section 5.0, Table II

<sup>6</sup> North Frontenac Telephone Company Limited's November 30, 1982 Audited Financial Statements - Net Income (\$49,883); plus Interest on Long Term Debt - AEL MicroTel Limited (\$15, 739); and Interest to H. J. Schmidt on Shareholder Loan (\$84,605).



## 7.0 QUALITY OF SERVICE

The Commission having reviewed the written submissions of the intervenors and considered the comments put forth at the hearing, wishes to impress upon the Applicant its concerns regarding certain service problems that have arisen.

During the hearing the Commission heard from the Working Group on Telephone Rate Increases, a group formed by a number of North Frontenac subscribers to determine problems faced by subscribers, and as to why the dissatisfaction with the proposed rate increase. The Group's representative, Mr. R. Lovelace, directed questions to its witnesses to provide evidence of complaints being indicative of subscribers in general. The evidence presented by the intervenor's witnesses was supportive of the opening statement provided by the Working Group, that the quality of service was inadequate for the needs of the subscribers.

The Commission was pleased with response to the public notice and the proficient manner in which the intervenors deputed themselves at the hearing. The questions directed to the Applicant's staff were to the point and allowed the hearing to proceed in a forthright manner.

In general, the concerns of the subscribers heard by the Commission are as follows:

- Problems of multi-party service;
- Noise/Static on the lines;
- Presence of crosstalk on multi-party lines;
- Inability to receive incoming calls;
- Applicant's policy with respect to disconnection;
- Incorrect billing;
- Poor equipment;
- Non-toll calling area too small;
- Excessive increase proposal in light of service provided.

The complaints regarding the delay in upgrading of service from multi-party, dialing problems, line static, other line related problems, and general problems related to the lack of privacy in the multi-party lines, must be addressed by the Applicant.

The Applicant is requested to review The Telephone Act and in particular those sections dealing with written notification to customers. Respecting the confidentiality of customer information, the Applicant is urged to endeavour to ensure closer scrutiny over the access to records and other information. The Applicant's staff should be cautioned about readily providing information concerning subscribers.

The Commission is concerned as to the absence of public relations by the Applicant with the customers and suggests that the Applicant extend a little more effort in its contact with its subscribers, by letting them know what work has been done, and what the plans are for the future.

The Applicant is further requested to keep the Commission informed of its undertakings in settling the complaints of its customers and of any future dialogue.

The Commission recognizes the Applicant's increased investment in construction expenditures that have taken place over the last several years, but directs the Applicant to review its construction program to ensure a proper combination of expenditures on modernization, upgrading, and maintaining takes places. The Applicant has indicated that its construction program will be filed with the Commission. This program will be monitored to ensure that the quality of service is maintained and the necessary upgrading undertaken.



## 8.0 COMMENT

The calculation in Section 6.0 of this Order shows that, based on a 1982 historic test year, the Applicant has no additional revenue requirement to be approved by the Commission.

Notwithstanding this decision of the Commission, it should be noted that the Applicant has consistently misconstrued section 12 of the Telephone Act. The application filed by North Frontenac Telephone Company Limited, portrays a business predominantly funded by a unique form of debt with little or no equity capital investment, a financial phenomenon contrary to the normal process experienced by the Commission.

The Commission has given the Applicant every opportunity, during this application and in previous proceedings, to devise a procedure for determining a rate of return. In Order No. 3933, the Commission explained that certain evidence of indebtedness must be considered as long term debt. The Commission wishes again to emphasize that the Applicant should recognize that the Commission, on its own volition, and in the best interest of the Applicant, has formulated, for rate making purposes, a debt/equity structure in which the shareholder's loan was considered investment equity for the determination of a rate of return and an additional revenue requirement.

The main rationale of the Applicant with respect to rate increases to be comparable to Bell Canada is not sufficient reason for the approval of higher rates. The Commission must have regard for the financial requirements of the Company.

The Applicant should more closely review its financial information, particularly in the context of possible rate applications. The Applicant must also remain cognizant of the parameters within which the Commission functions with respect to the determination of additional revenue requirement.

In future applications filed with the Commission, if the Applicant continues to disregard the suggestions of the Commission to convert the shareholder's loan from long term debt to equity in the form of common shares, the likelihood of an additional revenue requirement will be very remote.



Chairman.



ONTARIO TELEPHONE SERVICE COMMISSION

ORDER NO. 4236

Wednesday, the 20th day of July, A.D. 1983

BEFORE

V. W. Bielski, Q.C.	)	IN THE MATTER of sections 6(1)
Chairman,	)	12 and 105 of The Telephone Act
	)	(R.S.O. 1980, c.496)
D. Austin,	)	
Member, and	)	and
	)	
M. H. Shecter	)	IN THE MATTER of an application
Member	)	by the Corporation of the City
	)	of Thunder Bay for approval to
	)	change the rates for local
	)	telephone service.
	)	Order No. 3221 dated October 7,
	)	1974.

HEARD AT:

TORONTO, June 23, 1983.

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I	Statement of Revenue and Summary of Adjustments 1983 Test Year
II	Calculation of Net Asset Rate Base
III	Income Statement - 1983 Test Year
IV	Additional Revenue Requirement - 1983 Test Year

## 1.0 ORDER

- 1.1 UPON THE APPLICATION of the Corporation of the City of Thunder Bay, hereinafter referred to as the Applicant, for approval of change in rates for local telephone service, and upon reading the application and other material filed,
- 1.2 THE COMMISSION HEREBY AUTHORIZES, under and in pursuance of sections 6(1), 12 and 105 of The Telephone Act (R.S.O. 1980, c.496), the Applicant to increase local service rates to generate additional annual revenues of \$460,044. The new rates will be based upon the estimated average revenue producing units in service during 1983.
- 1.3 THE COMMISSION HEREBY ORDERS that the local service rates and non-recurring service charges in accordance with section 10.0 of this Order, to become effective on or after August 1, 1983.
- 1.4 THE COMMISSION FURTHER ORDERS that the following conditions must be met before the non-recurring service charge, as stated in item 10.6, Appendix A, Section XII of this Order, may be applied.

When a customer contacts the repair office, the Applicant must:

1. Determine whether or not the customer provides his own terminal equipment.
2. Inform the customer of the terms and conditions applicable to "trouble found in customer provided equipment visit" charge and quoting the particular tariff as stated in item 10.6, Appendix A, Section XII of this Order.

## 2.0 BACKGROUND

The Applicant filed an application for approval of changes in local telephone service rates and non-recurring service charges on February 2, 1983. The application requested approval for an additional \$460,044 in local service revenues based on a 1983 test year. This amount would be generated by an increase of 5.0% for residential and business services and non-recurring service charges.

On April 29, 1983, the Applicant mailed a Notice of Application to each customer which set out the present and proposed rates. Written interventions were to be filed with the Commission on or before May 31, 1983. The Commission received three written submissions.

Due to the number of people responding to the Public Notice, and the financial material filed by the Applicant, both with the application and in response to the interrogatories, the Commission decided that neither a Field Hearing nor a Financial Hearing was necessary. The Commission directed the Applicant to respond to the three individual written submissions.

The Commission's findings with respect to the financial aspects of the application are contained in sections 3.0 to 9.0 of this Order.

## 3.0 TEST YEAR

The Commission has employed a future test year for the purpose of determining the Applicant's revenue requirement.



When the application was filed in February, the Applicant proposed the use of a 1983 future test year, based on calculation determined from 1981 historical information and estimates made in late 1982.

The Commission in its Order No. 4153 recognized the risks associated with using a fully forecasted test year, and expressed its concerns:

The risk associated with the use of a future test year is primarily related to the uncertainties of forecasts and the possibility that the additional revenue approved may not reflect the actual additional revenue required. Furthermore, the Commission is concerned that the telephone subscriber not be penalized by unreasonably high rates brought about by inaccurate forecasts by the Applicant. Therefore, the Commission must be convinced that the Applicant has the ability to make reasonably accurate estimates for future periods, thus reducing the risk.

The Applicant must be able to continue to assure the Commission that the forecasts employed are reasonable and that the methodology used in forecasting is sound. The use of a future test year for determining an additional revenue requirement requires, and will require a constant effort on the part of the Applicant.

The Commission will continue to monitor actual results closely and suggests that the Applicant follow a similar process in order to maintain the sophistication and reliability of its forecasting techniques and to be able to provide evidence of the accuracy of the forecasts in the context of a rate application.

For the purposes of this rate application, the Commission has accepted the Applicant's proposal to employ a 1983 test year in order to determine an additional revenue requirement.

## **4.0 REVENUES**

### **4.1 Local Service Revenue**

The Applicant based its calculation of local service revenue on total telephones of 100,824.<sup>(1)</sup> However, the Applicant in its response interrogatory OTSC30MAR83-801 identified a revised number for telephones of 102,507, an increase of 1,683 telephones. Using the same percentages and average revenue per telephone for Residential and Business telephones as the Applicant,<sup>(1)</sup> results in separating the increase into 1,055 Residential, and 628 Business, with average revenue each at \$47.71 and \$155.39 respectively, and an increase in local service revenue of \$147,919.

### **4.2 Toll Revenue**

Annualizing the toll price increase of 5%<sup>(2)</sup> increases toll revenue by \$122,663 and when added to the Applicant's revised toll service revenue of \$4,581,361<sup>(3)</sup> results in a new total for toll service revenue of \$4,704,024, requiring a Commission adjustment of \$352,663.

### **4.3 Summary of Adjustments to Revenue**

Table I provides a summary of the adjustments discussed in Sections 4.1, 4.2 and in Section 5.2.

<sup>(1)</sup> Exhibit 4 – Summary of Financial Facts – page 5.

<sup>(2)</sup> Exhibit 4 – Toll Compensation Payment Calculation.

<sup>(3)</sup> Interrogatory OTSC30MAR83-801(a) Rate Application, Page 5, Line 2, Column E.

**TABLE I**  
**Statement of Revenue and**  
**Summary of Adjustments 1983 Test Year**

Local Service	8,813,376	147,919 <sup>(4)</sup>	8,961,295
Toll Service	4,351,361	352,663 <sup>(5)</sup>	4,704,024
Coin Telephone	320,436		320,436
Other Operating	2,770,100		2,770,100
Non-Recurring Service	569,928		569,928
Other Income	122,012		122,012
Less: Uncollectibles	(225,000)	85,000 <sup>(6)</sup>	(140,000)
	<u>16,722,213</u>	<u>585,582</u>	<u>17,307,795</u>

## 5.0 EXPENSES

### 5.1 Operating Expenses

The Commission has examined operating expenses for the 1983 test year and has required the Applicant to provide additional information regarding some items. As a result of this analysis, and for the purpose of determining an additional revenue requirement, operating expenses are found acceptable with the uncollectible revenue and gross receipts taxes.

### 5.2 Uncollectible Revenue

The Commission accpets the current estimated write-off of uncollectible accounts of \$150,000 and the corresponding recovery estimate of \$10,000 as identified in the Applicant's response to Interrogatory OTSC30MAR83-112. Therefore, the Applicant's original estimate of \$225,000 is revised to the netted amount of \$14,000 to reflect the most current estimate available.

### 5.3 Gross Receipts Taxes

The adjustments to revenue, as summarized in Setion 4.3, also requires a compensating adjustment to gross receipts taxes. Therefore, the Commission has made an allowance of \$29,300 which is approximately 5% of the total revenue adjustments. When added to the difference between the calculated 1983 liability amount of \$635,827 and the original estimate of the application of \$625,000 (\$10,827), the total adjustment will be \$40,127.

### 5.4 Depreciation Expense

The depreciation expense of \$3,023,995, revised to reflect 1982 actual construction expnditures, as indicated by response to Commission Interrogatory OTSC30-MAR83-801, was determined in the same manner as was developed in Order No. 4153. This requires an increase in depreciation expense of \$4,168. The construction program for the Applicant has been estimated at \$7,156,000. These amounts have been accepted by the Commission for use in this application.

<sup>(4)</sup> Section 4.1;

<sup>(5)</sup> Section 4.2;

<sup>(6)</sup> Section 5.2.

6.0 RATE BASE

6.1 Total Telephone Property

A value for the Total Telephone Property as at the end of the 1983 Test Year has been accepted by the Commission as established at \$67,697,426 with a corresponding accumulated depreciation amount of \$28,005,889. The Applicant again has followed the Commission format of Order No. 4153.

6.2 Working Capital

The Commission has applied the financial statement method of calculating the working capital allowance in arriving at the appropriate amount for the Applicant. For the submitted 1983 test year this amounts to (\$451,304), inclusive of materials and supplies as identified by the Applicant's response to OTSC30MAR83-801.

6.3 Calculation of Rate Base

Table II provides the calculation of the Applicant's net asset rate base for the 1983 test year.

TABLE II:

Calculation of Net Asset Rate Base

1. Total Telephone Property	\$67,697,426 <sup>(7)</sup>
2. Less: Accumulated Depreciation	<u>28,005,889 <sup>(8)</sup></u>
3. Net Telephone Property	39,691,537
4. Working Capital	<u>(451,304) <sup>(9)</sup></u>
5. Total Capital	<u>\$39,240,233</u>

7.0 RATE OF RETURN/REVENUE REQUIREMENT

Table III presents the Applicant's 1983 projected income statement, the Commission's adjustments and the revised income statement, indicating that Total Income for the Applicant before interest charges would be \$2,873,707.

<sup>(7)</sup> Section 6.1;  
<sup>(8)</sup> Section 6.1;  
<sup>(9)</sup> Section 6.2.

**TABLE III:**  
**Income Statement - 1983 Test Year**

	<b>Exhibit 2</b>	<b>Commission Adjustments</b>	<b>Revised Income Statement</b>
1. Local Service	\$8,813,376	\$14,919 <sup>(10)</sup>	\$8,961,295
2. Long Distance Service	4,351,361	352,663 <sup>(10)</sup>	4,704,024
3. Miscellaneous Service	3,557,476	85,000 <sup>(10)</sup>	3,642,476
4. <b>Total Operating Revenue</b>	<u>\$16,722,213</u>	<u>\$585,582</u>	<u>\$17,307,795</u>
5. Depreciation	\$3,019,827	\$4,168 <sup>(11)</sup>	\$3,023,995
6. Maintenance	4,423,700		4,423,700
7. Traffic	113,106		113,106
8. Marketing and Commercial	1,505,120		1,505,120
9. General Office	2,841,440		2,841,440
10. Other	653,400		653,400
11. Directory Expense	1,042,000		1,042,000
12. Gross Receipts	625,000	40,127 <sup>(12)</sup>	665,127
13. Other Taxes	166,200		166,200
14. <b>Total Operating Expenses</b>	<u>\$14,389,793</u>	<u>\$ 44,295</u>	<u>\$14,434,088</u>
15. Total Income	\$ 2,332,420	\$541,287	\$2,873,707
16. Interest Charges	375,600		375,600
17. <b>Net Income</b>	<u>\$ 1,956,820</u>	<u>\$541,287</u>	<u>\$2,498,107</u>

## 7.0 RATE OF RETURN/REVENUE REQUIREMENT (Cont'd)

In Order No. 4153, a 12.2% return on total capital was determined to be reasonable and acceptable by the Commission.

Table IV provides the calculation for an additional revenue requirement based on the 12.2% return on total capital and the other parameters as developed in earlier sections of this Order.

**TABLE IV:**  
**1983 TEST YEAR**  
**ADDITIONAL REVENUE REQUIREMENT**

1. Rate Base	\$39,240,233 <sup>(13)</sup>
2. Allowed Rate of Return	12.2%
3. Total Income	4,787,308
4. Total Income without Relief	2,873,707 <sup>(14)</sup>
5. Additional Revenue Requirement	1,913,601
6. Additional taxes	89,749 <sup>(15)</sup>
7. Total Additional Revenue Requirement	2,003,349
8. Average Rate Increase	21.0%

<sup>(10)</sup> Section 4.3;

<sup>(11)</sup> Section 5.4;

<sup>(12)</sup> Section 5.3.

<sup>(13)</sup> Section 6.3;

<sup>(14)</sup> Section 7.0;

<sup>(15)</sup> Calculated for Gross Receipt Taxes based on Local Service Revenues only.



It is seen that the Applicant would have to increase rates on an average of 21.0% to achieve a 12.2% return on total capital. The Applicant's revenue requirement request of \$460,044 based on a 5.0% average increase on rates, will generate a 8.5% return on capital as adjusted by the Commission.

The Commission accepts the Applicant's decision for additional revenue which is consistent with the restraint guidelines of the Ontario Government.

8.0 QUALITY OF SERVICE

During 1982 no complaints of the Applicant's customers were filed with the Commission. The Commission is pleased with the continued effort by the Applicant to complete the upgrading of service from multi-party to 4-party by the end of 1983.

The Commission is also satisfied with the direction of the Applicant's digital conversion and suggests that the Applicant continue to review the needs of the subscribers in conjunction with its financial viability.

The Commission wishes to be further informed as to the results of the joint study with Bell with respect to updating the 1978 study for determining the cost of providing E.A.S. service to the Pass Lake, Cloud Bay and Conmee/Kaministiquia areas.

9.0 COMMENT

In Section 1.0 of the Order, the Commission approved the final rate structure as proposed by the Applicant.

Section 7.0 of the Order indicated that to maintain a 12.2% return on total capital rates would have to rise by 21.0%. The adherence to the Ontario Inflation Restraint Program by the Applicant's 5.0% average rate increase established an 8.5% return after Commission adjustments.

The Commission is satisfied with the effort of the Applicant in following the methodology for determining its revenue requirement as was established by Order No. 4153. It is hoped that with the inception of the Uniform System of Accounts that the results can be further refined.

10.0 RATES

10.1 Basic Monthly Exchange Rates

(a) City of Thunder Bay Zone "A" map TBT57-73 (Appendix B attached).

	Business	Residence
Individual line	\$11.20	\$5.25
Two-party line	8.35	3.95
Four-party line	6.90	3.55
Trunk line	14.00	6.55



- (b) Rural Thunder Bay Zone "B", roughly a 5 mile band around the City of Thunder Bay and the Village of Kakabeka Falls as defined by maps TBT58-73, TBT59-73 and TBT66-73 (Appendix B attached).

	<b>Business</b>	<b>Residence</b>
Individual line	\$15.35	\$7.30
Two-party line	12.60	5.95
Four-party line	9.80	4.65
Multi-party line	6.80	3.30
Trunk line	18.15	8.55

No increases in Multi-party line rates have been approved in this application.

- (c) Rural Thunder Bay Zone "C", all rural areas served by Thunder Bay Telephone, roughly outside the 5 mile band as defined in Zone "B"; which includes the townships of Pearson, Gillies, O'Connor, Marks, Lybster, Fraleigh, Strange and part of Conmee as defined specifically by maps TBT60-73, TBT61-73, TBT62-73, TBT63-73 and TBT64-73. (Appendix B attached.)

	<b>Business</b>	<b>Residence</b>
Individual line	\$19.70	\$9.20
Two-party line	16.75	7.95
Four-party line	12.60	5.95
Multi-party line	9.05	4.35
Trunk line	22.35	10.55

No increases in Multi-party line rates have been approved in this application.

Where any of the boundary lines are shown along a road, both sides of the road will be defined in the lesser area. (400 ft. from centre of the road.)

## 10.2 EXTENSION TELEPHONES

<b>Class of Service:</b>	<b>Monthly Rate</b>
Business – all zones	\$2.10
Residence – all zones	1.50
<b>PBX</b>	
Manual	2.10
Dial Systems – Step-by-step (including dial station line terminal)	3.25
Dial Systems – Common control (minimum monthly charge is 21 extensions)	7.80
Dial Systems – Electronic (minimum monthly charge is 35 extensions)	7.80
<b>PBX Hotel-Motel and Hospitals (rooms)</b>	
Step-by-step	2.70
Common control (minimum charge 21 locals)	3.20
Electronic (minimum charge 35 locals)	3.20

### 10.3 NON-RECURRING SERVICE CHARGES

#### **Business Service:**

##### **Primary Exchange Service – to provide a telephone and/or line:**

	<b>Service Charge</b>
Central Office line, including one telephone, each	\$42.75
Party line service, including one telephone, each	42.75
Trunk line, each	42.75
Take over a working main, PBX, or order trunk service (change of name)	14.50
To extend a Central Office line or trunk line to an answering board	18.75
Reconnection of temporary suspension of service	18.75
Restoration of service – restoration of each main service suspended for violation of regulations and/or non-payment of account, without termination of service	18.75

##### **Extension telephones – to provide an extension telephone or PBX extension:**

	<b>Service Charge</b>
Extension telephone, each	\$22.50
PBX extension line including one telephone, each	22.50
PBX extension in excess of one for each line	22.50
Off-premises extension (within same wire centre) Business or Residence	22.50

#### **Residence Service:**

	<b>Service Charge</b>
Primary Exchange Service – provide one or more Central Office lines, main telephones or trunk lines, each	\$25.75
As above, with telephone equipment in place and no premise visit required	18.75
On a customer initiated request for a telephone change or installation of an extension, other work completed on an existing telephone during the same visit, will be charged at one half of the normal service connection charge, each	11.25
Taking over working main service (change of name)	8.25
Reconnection of temporary suspension of service	18.75

<b>Restoration of service</b> – restoration of each main service suspended for violation of regulations and/or non-payment of account, without termination of service	18.75
<b>Extension telephones</b> – provide one or more extension telephones including telephone, each	22.50
For other work performed on a customer's premises, each unit	22.50
When first extension is installed at the same time as the main service. The S.C.C. does not apply to the extension. Additional extensions installed at this time will be at half the regular S.C.C. All zones.	
SERVICE CHARGE (Teladapt – Jack location) Phones picked up by the customer.	
Provide one Central Office line, main telephone and any number of extensions (quantity of telephones up to the number of jacks in place)	18.75
Transfer of main telephone service and any number of extensions to a teladapt jacked location (quantity of telephones up to the number of jacks in place)	18.75
Customer with jacks visit "phone store" to add or change phones	8.25
Termination of full or partial service – telephone set	
Returned credit:	
– Main telephone	5.00
– Each telephone	2.50
(Credit to be allowed on the final billing.)	

<b>Other Work (Residence or Business):</b>	<b>Service Charge</b>
Change of telephone instrument equipment and/or facilities. To change from one telephone instrument to another at customer's request	\$22.50
Change of location on same premises, each telephone	22.50
Miscellaneous equipment for which there is no service charge	22.50
Change of extension telephone from one main telephone line to another, each	22.50
Change of PBX extension line from restricted to unrestricted or vice-versa, each	22.50
Change of one termination to another, each	22.50

When re-arranging existing lines on existing push-button telephones, use the following formula: "Add up the lines worked on, then the telephones worked on and apply charge to the lower of the two." This formula is to be used in the following situations:

a) Extending existing lines or inter-communicating circuits to existing push-button telephones;	
b) Removing terminations of lines or inter-communicating circuits from certain push-button telephones while retaining terminations on other push-button telephones;	
c) Changing dial codes of dial or link inter-communicating circuits; each	22.50
Change of Central Office line, trunk line or Wats Access Line from one answering board terminal to another; each	22.50
Change of telephone number at the customer's request	18.75
Traffic studies requested by customers (2 per year, gratis) maximum each study 2 weeks, all other studies extra charge will apply). Normal work week Monday to Friday	42.75
<b>Directory listing changes at customers request:</b>	
Primary listing: Business (See NOTE 1)	14.50
Residence (See NOTES 1 & 2)	8.25
One or more Extra Listings in a	
Primary listing: Business (See NOTE 1)	14.50
Residence (See NOTE 1)	8.25

## 10.4 DIRECTORY LISTINGS

### Service Charge

Extra listings: Business	\$0.55
Residence	0.50
Non-Published Service	1.25
Joint User	3.95

## 10.5 COIN TELEPHONES

Initial charge for coin telephone call	.25
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## 10.6 AUXILIARY SERVICES

Monthly charges and service connection charges for auxiliary services and equipment are listed in Appendix A of this Order.

NOTE 1: If Primary and Extra Listings are changed at the same time, only one service charge will apply.

NOTE 2: Service Charge will not apply if listing change is requested due to a deceased spouse.

APPENDIX A

SECTION I:

BASIC SERVICE	MONTHLY RATE
<b>Toll Denial Unit:</b> Business and Residential, per telephone	\$4.15
<b>Toll Denial:</b> Business and Residential, per line	1.65
<b>Short Term Telephone:</b> (See NOTE 1) All Zones	
<b>Temporary Suspension of Service (T.S.S.):</b> All Zones Half Monthly Regular Rate	
<b>Digipulse Service per line (except Key System - PBX-PABX):</b>	
Business - each	3.90
Residence - each	2.65
<b>Touch-Tone Service per line:</b>	
Business - each	3.90
Residence - each	2.65
<b>Off Premises Extensions:</b> (See Note 2) All Zones.	
<b>Answering Service Lines:</b> (See NOTE 2) All Zones.	

NOTE 1: Two (2) months minimum charge, plus S.C.C.

NOTE 2: Apply local mileage charges and regular extension rate if



## SECTION V: PRIVATE BRANCH EXCHANGE SERVICE

CLASS OF SERVICE	MONTHLY RATE	SERVICE CONNECTION CHARGE
<b>Manual PBX Systems:</b>		
Cordless switchboard, each position		
No. 507B	\$25.35	\$92.75
No. 555 – capacity 60 extension lines	40.00	107.25
– capacity 120 extension lines	55.35	107.25
<b>Dial PBX Systems:</b>		
No. 701 or 740 attendant's position, each		
No. 552A (Cord Non-Multiple)	55.35	322.25
No. 552D or 605A (Cord Multiple)	70.65	322.25
No. 607A (Cord Multiple)	153.65	322.25
No. 608 (Cord Multiple)	115.30	322.25
No. 508 (Cordless)	107.65	322.25
<b>Dial Equipment:</b>		
Selectors, connectors and selector connectors	6.50	(See NOTE 1)
Dial station line terminal, each	1.15	(See NOTE 1)
Common equipment – 2 digit system	84.55	(See NOTE 1)
– systems of 3 or more digits	115.30	(See NOTE 1)
<b>Switchboard Consoles – Cordless:</b>		
1 – 50 lines	\$20.75	\$150.75
Over 50 lines	28.00	226.00
Special Console (i.e. 4A)	53.75	268.75
<b>Switching Equipment (Common Control):</b>		
1 – 50 lines	30.75	752.75
Each additional 50 lines	30.75	752.75
Touch-tone feature	38.40	215.25

**NOTE 1:** SCC are based on units. Units are computed by adding dial station terminals, selectors, connectors, and selector-connectors and the charges are as follows:

<b>TWO DIGIT SYSTEM:</b>	
– 60 units or less, each	\$913.75
– additional 10 units or less	150.75
<b>THREE DIGIT SYSTEM:</b>	
– 1 – 100 units, each	32.25
1 – 200 units, each	25.75
1 – 300 units, each	22.50
1 – 400 units, each	20.00
Over 400 units, each	18.00

## SECTION V: PRIVATE BRANCH EXCHANGE SERVICE (Cont'd)

CLASS OF SERVICE	MONTHLY RATE	SERVICE CONNECTION CHARGE
<b>Switching Equipment (Electronic):</b>		
1 – 50 lines	30.75	537.50
Each additional 50 lines	30.75	215.25
Touch-tone feature	38.40	215.25
Telephones equipped for touch-tone calling	1.25	22.50
Telephones equipped for digipulse	3.90	22.50
<b>Additional Features PBX Systems:</b>		
Busy lamps field, each unit 50 – (common control)	9.20	92.75
Busy lamps field, each unit 50 – (electronic)	12.35	92.75
Dial Access terminal paging	4.65	22.50
Night answering arrangement	3.45	22.50
Tie Trunk Terminal, each		
– Manual	4.15	22.50
– Outgoing	8.35	22.50
– Incoming	16.75	22.50
– Outgoing & Incoming Dial	20.90	22.50
– Tandem Operation	16.75	92.75
Emergency power – common control	32.65	114.25
Emergency power – electronic	103.65	114.25
Executive ringback – (SG-1 or SG1A)	13.65	22.50
Toll restriction or denial, each trunk	5.00	22.50
Toll restriction or denial of locals, (electronic)	6.00	22.50
<b>Dial PBX Dictation – Recording Terminal:</b>		
When provided with a SxS PBX system, each	\$22.35	\$22.50
When provided with other dial PBX systems, each	37.75	22.50
Dictation – recording attendant's hand telephone, each	2.10	22.50
<b>Conference Equipment</b>		
<b>Manual Conference Equipment:</b>		
5 line capacity	8.35	22.50
<b>Dial Conference Equipment:</b>		
5 line capacity (SxS and common control)	5.55	22.50
10 line capacity (SxS and common control)	11.20	22.50
5 line capacity (electronic)	13.30	22.50

## SECTION V: PRIVATE BRANCH EXCHANGE SERVICE (Cont'd)

CLASS OF SERVICE	MONTHLY RATE	SERVICE CONNECTION CHARGE
<b>Arrangements for Night and Holiday Service:</b>		
Bridging connection, each	4.15	22.50
Night cord with 3 plug ends	.35	22.50
Night cord with 4 plug ends	.75	22.50
Night cord with 5 plug ends	1.05	22.50

## SECTION VI

CLASS OF SERVICE	MONTHLY RATE	SERVICE CONNECTION CHARGE
<b>Hotel-Motel and Hospital (Rooms Only)</b>		
<b>Private Branch Exchange Services:</b>		
Regular rates and charges apply for switchboards and switching equipment. Trunk lines (See Basic Rates).		
Telephones equipped for touch-tone calling (NOTE 1)	\$1.25	\$22.50
Telephones equipped for digipulse dialing (NOTE 1)	3.90	22.50
Single digit dial terminal	4.65	76.50
<b>Message Register:</b>		
Cumulative type, each	.40	
Reset type, each	.70	
Common equipment, (each group of 50)	89.50	114.25
<b>Message Waiting:</b>		
Each telephone	.90	
Common equipment	23.20	114.25
<b>Call Answering Board:</b>		
Position equipped for 1 – 40 lines	53.75	92.75
Position equipped for 41 – 100 lines	70.65	107.50
<b>Concentrator Identifier Equipment:</b>		
Concentrator identifier equipment of 50 lines or 100 line capacity	209.60	2,752.75
Bridging charge for the connection of service with concentrator, each	2.10	

**NOTE 1:** S.C.C. does not apply on original installation or when other work is done on set.

## SECTION VII

ORDER TURRET SERVICE		MONTHLY RATE	SERVICE CONNECTION CHARGE
<b>Automatic Call Distributor Systems:</b>			
<b>Model 40:</b>			
Attendants's position, each		\$ 8.35	\$114.25
Common equipment		586.80	335.50
Register equipment		33.60	22.50
Night announcement equipment		14.00	68.75
Delayed announcement equipment		90.70	42.75
<b>Model 200:</b>			
Attendant's position, each		8.35	114.25
Common equipment - 20 positions or less		377.20	197.75
Common equipment - each additional 10 positions		125.75	75.00
<b>Delayed Announcement Feature:</b>			
Common Equipment:			
- 36 Trunk lines or less		67.05	75.00
- More than 36 Trunk lines		146.75	152.75
- Each Trunk line equipped for delayed announcement		2.15	22.50
Transfer Feature:			
- 20 positions or less		28.00	22.50
- Each additional 10 positions		6.95	22.50
Monitor Equipment †B Type		14.00	967.50
<b>No. 4 Order Turret:</b>			
- Each Turret		9.60	137.25

## SECTION VIII

### PUSH BUTTON TELEPHONE SYSTEMS KEY EQUIPMENT INTERCOM, and PAGING SYSTEMS

#### MONTHLY RATE

#### SERVICE CONNECTION CHARGE

#### Push Button Telephone Systems:

##### Illuminated System:

- includes pick-up, hold and illumination, each line	\$4.55	
- 6 button telephones - 3 lines S.K.I. (NOTE 1)	2.40	\$25.75
- 6 button telephones - (NOTE 1)	3.90	25.75
- 6 button E/W exclusion feature (NOTE 1)	4.55	25.75
- 12 button key external (NOTE 1)	18.40	64.50
- 10 or 12 button call director (NOTE 1) (logic - corinthian)	11.50	64.50
- 18 or 20 button call director or logic (NOTE 1)	20.55	92.75
- 30 button call director (NOTE 1)	28.00	152.75
- 60 button call director (NOTE 1)	52.25	268.75
- Face plate additional on logic, each (NOTE 2)		6.50
Digipulse per set (NOTE 3)	3.90	25.75

#### Cut Off and Exclusion Feature:

Manual cut off, each	.55	22.50
Manual extension, each	.55	22.50

#### Automatic Exclusion:

Each line or each telephone	2.00	22.50
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#### 4A Key Equipment and Head Set Unit:

- 4A key equipment with holding feature, each	2.10	22.50
- 4A key equipment without holding feature, each	1.30	22.50
- Head set unit, each	1.30	

**NOTE 1:** Pick-up, hold and illumination, extra \$4.55 per line.

**NOTE 2:** Maximum charge \$22.50 per visit.

**NOTE 3:** S.C.C. does not apply on original installation.



SECTION VIII (Cont'd)

PUSH BUTTON TELEPHONE SYSTEMS KEY EQUIPMENT INTERCOM, and PAGING SYSTEMS		MONTHLY RATE	SERVICE CONNECTION CHARGE
<b>Monitoring Equipment:</b>			
Each line		\$1.60	\$22.50
<b>Busy Lamp Cabinet (Key System):</b>			
- 12 lamps		4.45	61.75
- 24 lamps		5.90	109.50
- Logic busy station		4.00	109.50
<b>Special Key Telephone Units:</b>			
- Busy line lamp, control relay, each circuit		1.95	22.50
- 2A-KTU (battery for paging system)		1.05	22.50
- 1K4 Relay		.70	22.50
- 219-A-KTU (repeater)		8.40	22.50
- 227-BKTU (sequential hunt)		2.85	22.50
- 229-KTU (line transfer relay)		2.65	22.50
- Delayed ring transfer unit - QUN-20A		2.25	22.50
<b>Inter-Communicating Circuits with Dial Signalling:</b>			
Dial Selective - Signalling Unit:			
Dial type signalling unit:			
- first 10 dial codes or less		15.35	66.50
- additional dial code unit, each		—	22.50
- additional dial code, each		1.15	—
- busy tone feature		3.95	22.50
- busy tone feature with flashing lamp		6.00	22.50
- touch tone selection		14.55	22.50
- intercom conversion bell relay - 12 volt		.35	22.50
Link type signalling unit:			
- first 10 dial codes or less		53.75	137.25
- additional dial code, each		3.90	—
- additional dial code units, each		—	66.50
- touch tone selection		26.20	22.50
- long line circuit		3.10	22.50
<b>Add-On Conference Feature:</b>			
- each Central Office line or PBX extension line		3.10	22.50
- each telephone equipped for add-on		1.80	22.50
<b>Manual Intercom: each</b>		2.15	22.50

## SECTION VIII (Cont'd)

### PUSH BUTTON TELEPHONE SYSTEMS KEY EQUIPMENT INTERCOM, and PAGING SYSTEMS

MONTHLY RATE	SERVICE CONNECTION CHARGE
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#### Paging Systems:

Amplifiers – under 25 watts	\$7.00	\$42.75
Amplifiers – 25 to 75 watts	13.15	42.75
Amplifier loudspeaker	7.65	42.75
Loudspeakers:		
– low output	2.00	22.50
– medium output	2.25	22.50
– high output	4.15	22.50
– for use in explosive atmosphere	7.90	22.50

#### Input:

– microphone	4.15	22.50
– telephone, key equipment or switchboard jack	2.10	22.50
– for connection of customer-owned radio paging to PABX equipment	5.55	22.50

#### Business Interphone F:

Initial business interphone telephone (basic equipment)	14.30	25.75
Additional telephone equipped for business interphone, each	1.75	22.50
Loudspeaker – microphone – indoor each	1.75	22.50
Loudspeaker – microphone – outdoor each	2.40	22.50

## SECTION IX

### MILEAGE CHARGES

MONTHLY RATE	SERVICE CONNECTION CHARGE
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#### Local Mileage:

**Voice Grade Channels** other than Business or  
Residence main station between buildings on  
different properties.

1 – 50 circuits – first 1/4 mile	\$3.45	\$42.75
1 – 50 circuits – additional 1/4 mile, each	1.10	
Over 50 circuits – first 1/4 mile	2.20	42.75
Over 50 circuits – additional 1/4 mile, each	.75	

#### Greater Band Width Than Voice Grade:

Non-equalized – first 1/4 mile	4.15	42.75
Non-equalized – additional 1/4 mile, each	1.50	
5000 to 8000 Hertz – first 1/4 mile	4.55	42.75
5000 to 8000 Hertz – additional 1/4 mile, each	1.90	
8000 to 15000 Hertz – first 1/4 mile	4.95	42.75
8000 to 15000 Hertz – additional 1/4 mile, each	2.20	

Section IX, cont.

**Circuits Between Buildings on Continuous Property:**

- First 10 circuits, each (max. 1/4 mile run)	.95	42.75
- Next 15 circuits, each (max. 1/4 mile run)	.70	42.75
- Circuits in excess of 15 each (max. 1/4 mile run)	.25	42.75
- Individual circuits between points in same building or on same property, each (max. 1/4 mile run)	2.25	22.50
- Inter-exchange mileage per 1/4 mile	1.50	42.75

**SECTION X**

TELEPHONE STATION EQUIPMENT	MONTHLY RATE	SERVICE CONNECTION CHARGE
- Dawn (E/W Gold Ring) - (NOTE 1)	\$2.25	\$22.50
- Contempra - Trendline telephones, each (NOTE 1)	1.25	22.50
- Doodle (E/W 1 pad and 1 pencil (NOTE 1)	2.05	22.50
- Logic 1 (NOTE 1)	2.05	22.50
- Princess - Contessa telephones, each (NOTE 1)	1.25	22.50
- Ericaphone telephone, each (NOTE 1)	1.25	22.50
- Two line telephone, each (NOTE 1)	1.15	22.50
- Tri-line telephone, each (NOTE 1)	3.90	22.50
- Telephone set less dial, each (NOTE 1)	1.95	22.50
- Speakerphone, each	13.00	22.50
- Speakerphone, Companion I	5.15	22.50
- Touch-tone Service		
- Business, each extension telephone	1.25	22.50
- Residence, each extension telephone	1.25	22.50
- Digipulse Service		
- (except Key System - PABX and PBX)		
- Business, each extension telephone	1.25	22.50
- Residence, each extension telephone	1.25	22.50
- 2 Line key - each	1.05	22.50
- 3 Line key - each	1.50	22.50
- Secretarial answering units		
- 10 lines	14.00	61.75
- 20 lines	25.70	75.00
- Single line hold button	1.10	22.50
- Mickey Mouse Telephone, each (NOTE 1)		
- 1st year	10.25	22.50
- thereafter	2.85	
- Alexander Graham Plane, each (NOTE 1)		
- 1st year	7.15	22.50
- thereafter	2.00	

## SECTION X (Cont'd)

TELEPHONE STATION EQUIPMENT	MONTHLY RATE	SERVICE CONNECTION CHARGE
<b>Decorator Telephones:</b>		
Chest telephone, each (NOTE 1)	4.45	22.50
- Antique telephone, each (NOTE 1)	4.45	22.50
- Antique wooden wall telephone, each (NOTE 1)	4.45	22.50
- Candlestick telephone, each (NOTE 1)	2.80	22.50
- Telephone with explosive atmosphere feature (NOTE 1)	9.65	22.50
- Telephone with explosive atmosphere feature (NOTE 1) installed after Jan. 1, 1979	27.35	22.50
- Telephone outdoor weatherproof, each (NOTE 1)	3.35	22.50
- Telephone (building elevator), each (NOTE 1)	7.45	22.50
- Pedestal, each	2.10	22.50
- Handset, equipped with volume control:		
hearing, each (NOTE 1) (NOTE 2)	2.25	22.50
speech, each (NOTE 1) (NOTE 2)	2.25	22.50
- Noisy location - special transmitter each (NOTE 1)	1.15	22.50
<b>Apartment Enterphone:</b>		
Basic unit (24 Subscribers)	\$58.80	\$193.25
Additional unit (each additional 24 Subscribers)	6.30	42.75
<b>Automatic Dialer:</b>		
MagicalI, each	21.55	22.50
Auto-Dialer Logic	10.50	22.50
Auto-Dialer	9.50	22.50
<b>Automatic Telephone Answering and Recording Equipment:</b>		
- Answering and recording equipment tape maximum - 2 hr. each 700	26.90	22.50
- Answering and recording equipment, 30 second playback — Feature 440-444-333	24.50	22.50
- Answering and recording equipment - Tape maximum 10 minutes, each (MEMORY PHONE)	11.75	22.50
- Addition pocket coder, each	2.85	Nil
- Back spacer, each	1.85	22.50
- Answering equipment, each 200A	18.40	22.50
- Monitor recorder, each	23.00	22.50
- Foot switch	1.30	22.50
- Special receiver	1.25	22.50

NOTE 1: In addition to monthly rates.

NOTE 2: At Doctor's request. No monthly rental, only S.C.C.

## SECTION XI

OTHER EQUIPMENT	MONTHLY RATE	SERVICE CONNECTION CHARGE
<b>Ring Down Circuit:</b>		
Installed on customer premises	\$4.60	\$42.75
Installed in Central Office	3.90	42.75
Auxiliary touch-tone pad	4.60	42.75
<b>Facsimile Equipment:</b>		
- Telescript receiver	49.65	64.50
- Telescript transmitter	56.75	64.50
- Telescript transceiver	85.05	64.50
- End-of-message unit	4.60	
<b>Neutralizing Transformers:</b>		
Monthly charge shall be on the basis of total circuits each transformer is equipped with:		
- 2 K.V. Transformer, each circuit	2.75	22.50
- 3 K.V. Transformer, each circuit	7.90	22.50
- 4.5 K.V. Transformer, each circuit	8.55	22.50
- 7.5 K.V. Transformer, each circuit	18.55	22.50
- 9 K.V. Transformer, each circuit	18.55	22.50
- 12.5 K.V. Transformer, each circuit	8.00	22.50
<b>Custom Calling Features:</b>		
Call Forwarding - Business	4.35	17.75
Call Forwarding - Residence	2.40	17.75
Call Waiting - Business	3.65	17.75
Call Waiting - Residence	2.40	17.75
Three way calling - Business	3.05	17.75
Three way calling - Residence	2.40	17.75
Speed calling (8 code) - Business	3.05	17.75
Speed calling (8 code) - Residence	1.80	17.75
Speed calling (30 code) - Residence	2.95	17.75
Maximum S.C.C. of \$26.75 for two (2) or more customer features.		
No monthly rental increase on custom calling features. Tariffs originally established based on software costs for electronic/digital Central Offices.		
<b>Jack and Plug Equipment:</b>		
Jack, each		\$22.50
Weatherproof jack, outdoor, each		22.50



## SECTION XI (Cont'd)

OTHER EQUIPMENT	MONTHLY RATE	SERVICE CONNECTION CHARGE
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### Line Signals:

Each push button, buzzer or No. 7 bell (NOTE 1)	\$.65	22.50
Extension bell, regular, each	.65	22.50
Extension bell, (loud gong), each	.95	22.50
Bell Chime, each	1.25	22.50

### Lamp Signals:

1 lamp indicator, each	.65	22.50
2 lamp indicator, each	.85	22.50
3 lamp indicator, each	1.10	22.50

### Commercial Power Signals:

Telecode relay, each (NOTE 2)	1.60	22.50
Bell vibrating – 8 inch, each	1.75	22.50
Bell vibrating – 10 inch, each	3.10	22.50
Horn – indoor, each	2.55	22.50
Horn – outdoor, each	3.10	22.50

### Receiver:

Single head receiver, each	.60	
Double head receiver, each	.90	

### Head and Hand Sets – Additional:

For each console or attendant's position: one (1) supplied)	N/C	
Additional head set, each and jack mounting	1.35	
Additional hand set, each	1.50	
Lightweight head set, each	6.45	

### Voycall Equipment

- 15/25/1/1	- One bay exchange, each	\$47.15	\$89.25
- PS-382	- Power supply, each	1.60	
- DP-11	- Dual phone (single), each	8.70	45.50
- DP-31	- Dual phone (five line), each	11.40	48.50
- DP-32/HF-10	- Dial phone with speaker and phone adapter	17.50	71.25
- CSM-6A	- Master station, each	3.75	45.50
- CSM-6AH	- Master station (E/W Handset, each	5.25	45.50
- CSM-8W	- Wall telephone master station, each	3.20	45.50
- CSN-2	- Paging adapter, each	.70	
- DP-51	- Rotary dial (10 button), each	13.30	87.25

**NOTE 1:** If a push-button, buzzer or bell is installed as a circuit, only one S.C.C. will apply.  
If an additional buzzer or bell is installed at the same time, 1/2 the S.C.C. will apply.

**NOTE 2:** Customer will supply commercial power.

## SECTION XI (Cont'd)

OTHER EQUIPMENT	MONTHLY RATE	SERVICE CONNECTION CHARGE
Special Assemblies:		
Reset register	2.55	22.50
Rotary splitting feature	3.45	22.50
44V4 shelf E/W 350H equalizers and No. 227 amp.	22.50	68.75
SPECIAL ASSEMBLY FOR SURE STAFF INTERFACE		
Bell Canada Commercial:		
1 register (non-resetable RGD66E 24V)	3.95	COST OF LABOUR AND MATERIAL
1 card file (positron model 7483-5W)	43.50	
1 line card (positron model 7356)	21.40	
1 register card (positron model 7483)	30.05	
SPECIAL ASSEMBLY FOR DATA ROUTE CIRCUIT (ROYAL BANK OF CANADA)		
Canadian Imperial Bank of Commerce:		
Jack panel	3.10	COST OF LABOUR AND MATERIAL
Loop back key	4.45	
Dual 2W/6W conference bridge	2.45	
Dual line amplifier	7.45	
Fuse distribution module	2.25	
Wescom 4UA-13 Universal Shelf	15.30	
Cords:		
Block 13 ft. coloured or 14 ft. neutral, each (NOTE 1)	\$5.55	\$22.50
Handset – coiled 13 ft. each (NOTE 1)	5.55	22.50
Operator – coiled 10 ft. each (NOTE 1)	7.50	22.50
Operator – coiled 15 ft. each (NOTE 1)	12.00	22.50
Mounting cord for 6 button telephone:		
– 9 ft. each	41.10	22.50
– 13 ft. each	45.15	22.50
Block – 25 ft. neutral (NOTE 1)	6.85	22.50

**NOTE 1:** Service charge will not apply if work is done at the same time on the telephone.

SECTION XII

CUSTOMER PROVIDED EQUIPMENT	MONTHLY RATE	SERVICE CONNECTION CHARGE
<b>Telephone:</b>		
Telephone approved for connection as in (NOTE 1)		\$45.50
Telephone requiring modification (NOTE 1)		112.75
Customer provided telephotograph equipment, operating in connection with individual line telephone service only. Requires protective connection equipment.	\$1.35	22.50
Key, if switching of telephone and protective-connection equipment is to be effected	.90	
EC 30A Voice Coupler (CKPR Radio Station)	1.50	22.50
Customer provided voice-recording equipment, except in connection with public or semi-public service. Requires recorder-connector equipment supplying distinctive "beep" tone	7.30	22.50
Customer provided data-transmitting and receiving equipment, operating in connection with individual line telephone service only. Requires data connector equipment (if system provides data-phone, also specific tariff, therefore shall apply).		
- Manual	5.55	45.50
- E/W Automatic Answering Feature	10.50	45.50
Customer provided automatic answering equipment operating in connection with individual line or PBX service only. Requires voice-coupler equipment (QCS2B Coupler)	7.30	22.50
UAV-3N ESC-20721-1 (Elgin) Voice Station Coupler (for customer provided dictation equipment)	12.55	22.50
Customer provided alarm detecting and sending device equipment, operating in connection with individual line or PBX service only. Requires alarm-coupler equipment	7.30	22.50
Trouble found in customer owned equipment, each visit		45.50

NOTE 1: Existing monthly rental will apply.

## SECTION XIII

ARRANGEMENTS FOR DATA TRANSMISSION	MONTHLY RATE	SERVICE CONNECTION CHARGE
<b>Channels for Data Transmission:</b>		
Channel-conditioning arrangements – same exchange		
– two point not arranged for switching	\$13.95	\$28.50
– type 4A conditioning, each channel	13.95	35.50
– type 4B conditioning, each channel	49.65	52.25
– type 4C conditioning, each channel	51.45	64.50
Channel conditioning between exchanges		
– type 4C conditioning	66.25	64.50
Conditioning to provide zero DB at 1000 Hertz	16.00	42.75
Special amplifier	16.00	53.75

## SECTION XIV

PBX SYSTEM – CENTREX	MONTHLY RATE	MINIMUM MONTHLY CHARGE	SERVICE CONNECTION CHARGE
<b>Centrex I:</b>			
153 Extension lines or less – each	\$20.50	\$2,033.00	\$22.50
154 Extension lines or more			
First 500 extension lines, each	15.65	3,931.75	22.50
Next 1000 extension lines, each	18.25		22.50
Over 1500 extension lines, each	14.10		22.50
<b>Centrex II:</b>			
153 Extension lines or less – each	22.35	2,241.15	22.50
154 Extension lines or more			
First 500 extension lines, each	17.25	4,325.05	22.50
Next 1000 extension lines, each	16.05		22.50
Over 1500 extension lines, each	18.25		22.50
Each telephone in excess of one on a line	2.10		22.50
Restricted extension	12.55		22.50
Centrex recorder intercept arrangement	5.30	32.25	
<b>Immediate Ringing Feature:</b>			
Initial 100 extension lines	33.10		
Each additional 100 extension lines	13.30		

**SECTION XIV (Cont'd)**

**PBX SYSTEM CENTREX**

**MONTHLY  
RATE**

**SERVICE  
CONNECTION  
CHARGE**

**Data Set Direct Access to Wats on Centrex:**

Initial arrangement	72.90	107.50
Additional arrangement on same premises	10.60	107.50
Attendant's position	157.90	483.75
Attendant's transfer feature	2.95	3.15
Centrex console push-button access	5.05	48.50
Attendant camp-on		
— Common equipment	5.55	16.00
Restrict dial access to and tandem arrangement of tie trunk	53.00	107.50
Transfer arrangement – foreign exchange		
Trunk to a remotely located telephone	13.30	64.50
Equivalent service enlargement	52.25	215.25
Tie trunk network restriction	4.00	16.25
Tie trunk Toll Diversion – each system – each location	99.40	

**Tie Trunks – Miscellaneous Arrangements:**

(a) Tie trunks busy register	\$9.90	\$64.50
(b) Silence buzzers	4.00	129.00
Common equipment	5.30	53.75
Each group of tie trunks equipped	6.60	21.50
4-Wire tandeming with pad control		
Common equipment	5.30	
Each tie trunk terminator	13.30	24.25
Tie trunk multiples to push-button telephones		
Each tie trunk	4.60	32.25
Network Access Via 3-digit code on Centrex II		
Each tie trunk	9.90	42.75
Denial of dial access to tie trunks		
Each tie trunk	4.50	32.25
Sequence use of extension lines for dictation recording	46.40	107.25
Diversion of dial access to WATS and foreign exchange – Each trunk group	11.95	64.50
Tie Trunk Terminal, each:		
Outgoing dial	9.75	26.50
Incoming dial	21.90	26.50
Outgoing and Incoming dial	26.10	26.50
Manual appearance of dial or manual tie trunk	5.65	26.50
Secretarial hunting, each line	.70	26.50



## SECTION XV

	RENTAL	MONTHLY RATE	SERVICE CONNECTION CHARGE
<b>Arrangement for Data Transmission:</b>			
<b>Types of Data Sets:</b>			
- N.E. 103A2 (300 B.P.S.)		\$41.75	\$78.50
- N.E. 202C (0-1800 B.P.S.)		78.35	161.50
- T 202E9 (0-1200 B.P.S.)		39.10	64.50
- T A201A3/4E (2000 B.P.S.)		156.70	322.25
- 202 S/T - 1200 B.P.S. to 1800 B.P.S. (ASYNCR)		30.20	161.50
- 201 LSI - (2000 - 2400 B.P.S.) SYNCHRONOUS		130.55	257.75
- 201 CLSI(200 - 2400 B.P.S.) SYNCHRONOUS		59.55	257.75
- LDS-309 (Gandalf) Limited Distance, SYNCHRONOUS 9600 B.P.S.		25.50	64.50
- LDS-140 (Gandalf)		25.05	64.50
- No. 611 (Directran)		14.70	50.00
- Trans STU 971-1 - SYNCHRONOUS Digital Data Set		70.50	64.50
- GDC-108-3 Data Modem		33.45	64.50
<b>Multicom II Service:</b>			
Multicom II access (240 B.P.S.)		130.55	51.75
Associated T 201B3 Data Set with auxiliary TT set		163.20	322.25
Data connector equipment		5.50	38.75
Automatic exclusion		2.25	19.50
Network security			64.50
Unattended answer		11.15	25.75
Local loop around test circuit			64.50
ULK Special Assembly		13.40	40.50
<b>Arrangement for Data Transmission:</b>			
<b>Voicecom I Access Line:</b>			
Includes 1 FB + 6-10 dialer		117.45	42.75
Change location of data, Multicom II and Voicecom I sets 1/2 regular Service Connection Charge.			



Chairman

ONTARIO TELEPHONE SERVICE COMMISSION

ORDER NO. 4269

Monday, the 14th day of November, A.D. 1983

BEFORE

V. W. Bielski, Q.C.	)	IN THE MATTER of sections 6(1)
Chairman,	)	10 and 15 of The Telephone Act
	)	(R.S.O. 1980, c.496)
R. D. Sloan,	)	
Vice-Chairman,	)	and
	)	
D. A. Austin,	)	IN THE MATTER of a review of
Member, and	)	Order No. 2720 dated May 29,
	)	1970, Order No. 2970 dated
M. H. Shecter,	)	June 15, 1972, Order No. 3126
Member.	)	dated November 8, 1973 and
	)	Order No. 3221 dated October 7,
	)	1974.

HEARD AT:

TORONTO, September 23, 1983.

## 1.0 ORDER

- 1.1 WHEREAS pursuant to Order No. 2720 May 29, 1970 whereby all telephone systems were permitted to charge rates for self contained dial-outpulsing button telephones and,
- 1.2 WHEREAS Order No. 2970 dated June 15, 1972 approved installation charges effective July 01, 1972 and,
- 1.3 WHEREAS Order No. 3126 dated November 8, 1973 approved rates for supplementary services effective December 01, 1973 provided special supplementary rates had not been approved and,
- 1.4 WHEREAS Order No. 3221 dated October 7, 1974 approved rates and conditions for Directory Assistance Charges, to be levied by all telephone systems,
- 1.5 UPON REVIEW OF Order No.2720, Order No. 2970, Order No. 3126 and Order No. 3221,
- 1.6 THE COMMISSION HEREBY REVOKES, under and in pursuance of sections 6(1), 10 and 15 of The Telephone Act (R.S.O. 1980, c.496) Order No. 2720 dated May 29, 1970, Order No. 2970 dated June 15, 1972, Order No. 3126 dated November 8, 1972 and Order No. 3221 dated October 7, 1974.

## 2.0 REASONS

The Commission has reviewed the background of rates being applied by most telephone companies under its jurisdiction. During the course of its review, it was noted that certain orders for rates were permissive while others approved specific rates. The Commission was uncertain as to what tariff rates were actually being used by a number of telephone systems since the issuance of these Orders. The Commission was also concerned as to whether the rates and service charges for all telephone systems were current and had Commission approval. The Commission has reviewed and approved the rates and service charges applied by the telephone systems pursuant to the Orders revoked in this Order.



Chairman

**ORDER NO. 4270**

**Thursday, the 24th day of November, A.D. 1983**

**BEFORE**

V. W. Bielski, Q.C.	)	IN THE MATTER of sections 6(1)
Chairman,	)	15(1) and 21 of The Telephone Act
	)	(R.S.O. 1980, c.496)
R. D. Sloan,	)	
Vice-Chairman,	)	and
	)	
D. A. Austin,	)	IN THE MATTER of a review of the
Member,	)	Directory Assistance Charge and
	)	the conditions under which such
G. Klosler,	)	a charge shall apply.
Member, and	)	
M. H. Shecter,	)	
Member.	)	

**HEARD AT:**

TORONTO, November 22, 1983.

## 1.0 ORDER

WHEREAS the Ontario Telephone Service Commission issued Order No. 3221 dated October 7, 1974, as a result of an application of the Ontario Telephone Association,

AND WHEREAS the above-mentioned Order approved a Directory Assistance Charge and the conditions under which such a charge applies,

AND WHEREAS the above-mentioned Order was revoked by Order No. 4269 dated November 14, 1983,

AND WHEREAS The Ontario Telephone Service Commission has conducted a review of the Directory Assistance Charge and the conditions under which such a charge shall apply,

1.1 THE COMMISSION ORDERS that a Directory Assistance Charge levied by a telephone system is to be in accordance with the following conditions:

1. A Directory Assistance charge is levied in respect of each telephone number provided by the telephone system's local information service when the telephone number provided appears in the most recent telephone directory provided to the customer with his basic exchange service.
2. Notwithstanding the above, no charge shall be levied:
  - (a) To persons calling from Public Telephone Service, Semi-Public Telephone Service, Hotel and Motel P.B.X. Service and Mobile Telephone Service.
  - (b) To persons calling from federally or provincially registered hospitals.
  - (c) To persons who have a physical or mental disability such that they are unable to use the directory. These persons must be registered with the telephone system.
  - (d) To persons 65 years of age and over and who are so registered with the telephone system.
  - (e) To persons calling and indicating that an emergency exists.
  - (f) To persons calling and requesting telephone numbers of the telephone system.



Chairman



ONTARIO TELEPHONE SERVICE COMMISSION

ORDER NO. 4276

Thursday, the 15th day of December, A.D., 1983

BEFORE

V. W. Bielski, Q.C.,	)	IN THE MATTER of sections 6(1),
Chairman,	)	10, 15(1), 21, 89(1), 90 and 91 of
	)	The Telephone Act (R.S.O. 1980, c.496),
R. D. Sloan,	)	
Vice Chairman, and	)	and
	)	
D. A. Austin,	)	IN THE MATTER of the
Member,	)	interconnection of customer
	)	provided terminal equipment to
G. Klosler,	)	the facilities of the telephone
Member,	)	systems subject to the jurisdiction
	)	of Ontario.
M. H. Shecter,	)	
Member,	)	

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## 1.0 ORDER

WHEREAS the Ontario Telephone Service Commission has conducted a general review of the issues related to the attachment of customer provided terminal equipment to the telephone systems subject to its jurisdiction,

AND WHEREAS the Ontario Telephone Service Commission issued Interim Order No. 4188 respecting the attaching of customer provided terminal equipment to the systems subject to its jurisdiction,

AND WHEREAS the Ontario Telephone Service Commission has reviewed all evidence brought before it respecting the attachment of customer provided terminal equipment to the systems subject to its jurisdiction.

### GENERAL

- 1.1 THE COMMISSION REVOKES, under and pursuant to sections 6(1), 10, 15(1), 21, 89(1), 90 and 91 of The Telephone Act (R.S.O. 1980, c.496), for the reasons set out in the Reasons accompanying this Order, Interim Order No. 4188 and orders and directs as follows.
- 1.2 THE COMMISSION ORDERS that telephone systems shall continue to own and operate all equipment, except run-off poles on private property, operated in connection with the system in accordance with section 91 of The Telephone Act except as otherwise permitted in this Order.
- 1.3 THE COMMISSION DIRECTS all telephone systems to inform their customers by the use of a "Notice to Telephone Customers" inserted in their monthly billing, of the extent to which customers may provide terminal equipment and the rules that apply thereto as set out in this Order and the accompanying Reasons.
- 1.4 THE COMMISSION FURTHER ORDERS that in the case of single line business and residential service, telephone systems shall own and maintain equipment used in connection with the provision of the service including the inside wiring and the jack necessary to connect terminal equipment to the system but need not own and maintain terminal equipment. However, telephone systems shall provide terminal equipment in accordance with section 89(1) of The Telephone Act when a customer desires that a telephone system provide such equipment.
  - 1.4.2 THE COMMISSION FURTHER ORDERS that in the case of single line business and residential service, customers of telephone systems may provide and attach to the jack of the telephone system, terminal equipment which is certified under the Terminal Attachment Program of the Government of Canada. Customers may also provide and attach terminal equipment by means of an acoustical or induction connection.
  - 1.4.2 THE COMMISSION FURTHER ORDERS that in the case of single line business and residential service, equipment attached in accordance with any requirements of Interim Order No. 4188, section 1.6.1, may remain attached.

## **MULTI-LINE SERVICE**

- 1.5 THE COMMISSION FURTHER ORDERS that in the case of multi-line business service, telephone systems shall own and maintain equipment used in connection with the provision of service to a point of demarcation on the customer's premises and shall provide terminal equipment in accordance with section 89(1) of The Telephone Act when a customer desires that a telephone system provide such terminal equipment.
- 1.5.1 THE COMMISSION FURTHER ORDERS that in the case of multi-line service, customers of telephone systems may provide and attach to the equipment of the telephone system at a point of demarcation on the customer's premises at the connecting point terminal equipment which is certified under the Terminal Attachment Program of the Government of Canada. Customers may also provide and attach terminal equipment by means of an acoustical or induction connection.

## **TWO-PARTY AND FOUR-PARTY SERVICE**

- 1.6 THE COMMISSION FURTHER ORDERS that in the case of two-party and four-party line service, telephone systems shall own and maintain equipment used in connection with the provision of the service including the inside wiring and the jack necessary to connect terminal equipment to the system, and shall provide terminal equipment in accordance with section 89(1) of The Telephone Act when a customer desires that a telephone system provide such terminal equipment.
- 1.6.1 THE COMMISSION FURTHER ORDERS that in the case of two-party and four-party line service, customers of a telephone system may provide and attach to the jack of the telephone system terminal equipment which is certified under the Terminal Attachment Program of the Government of Canada and is appropriately modified by the telephone systems for connection to two-party and four-party line service.
- 1.6.2 THE COMMISSION FURTHER ORDERS that in the case of two-party and four-party line service, notwithstanding the provisions of section 1.6.1 of this Order, no customer shall provide and attach any terminal equipment to the jack of a telephone system, unless and until such equipment has been inspected by the telephone system and approval for connection obtained. Such approval shall not be withheld unless the terminal equipment is incompatible with the provision of two-party and four-party line service.
- 1.6.3 THE COMMISSION FURTHER ORDERS that in the case of two-party and four-party line service, every telephone system, where approval has been withheld under section 1.6.2 of this Order, shall make such necessary modification to the telephone set at the customer's request and shall within ninety (90) days of this Order file with the Commission for its approval rates for the inspection and modification of telephone sets which are not compatible with the provision of two-party and four-party line service.
- 1.6.4 THE COMMISSION FURTHER ORDERS that notwithstanding the provisions of sections 1.6, 1.6.1, 1.6.2 and 1.6.3 of this Order, a customer shall not provide and attach any terminal equipment except a telephone set to the network of a telephone system providing two-party or four-party line service.



## **SALE OF TERMINAL EQUIPMENT BY SYSTEMS**

- 1.7 THE COMMISSION FURTHER ORDERS that telephone systems, subject to the jurisdiction of the Commission, may sell terminal equipment to customers and sell terminal equipment through the provisions of a financial lease, which is a sale equivalent, provided that any such sales recover the costs incurred, all costs being considered.
- 1.7.1 THE COMMISSION FURTHER ORDERS that any telephone system which sells terminal equipment pursuant to section 1.7 of this Order, shall do so either through a separate arms-length subsidiary corporation or shall segregate such activities in its books of account to clearly identify the sales function in a manner that allows the Commission to verify that sales of equipment recover the costs incurred, all costs being considered.
- 1.7.2 THE COMMISSION FURTHER ORDERS that telephone systems subject to the jurisdiction of the Commission may sell in-lace terminal equipment to customers and the related allocation issue will be addressed by the Commission when a telephone system files its segregated accounts' plan in accordance with section 1.7.3.
- 1.7.3 THE COMMISSION FURTHER ORDERS that where a telephone system elects to sell terminal equipment, it shall file with the Commission for its approval the segregated accounts plan which is intended to be employed by the telephone system.
- 1.7.4 THE COMMISSION FURTHER ORDERS that the segregated accounts plan referred to in section 1.7.3 of this Order shall, to the greatest extent possible, be compatible with the Uniform System of Accounts.

## **UNBUNDLING OF RATES**

- 1.8 THE COMMISSION FURTHER ORDERS that within one hundred and eighty (180) days from the date of this Order, every telephone system, subject to the jurisdiction of the Commission, shall issue bills to all customers which clearly segregate that portion of the bill attributable to access to the network of the system and that portion of the bill, if any, which is attributable to the rental of terminal equipment from the system.
- 1.8.1 THE COMMISSION FURTHER ORDERS that the portion of the bill attributable to access to the network of the system shall be computed by deducting the sum of ninety-five cents (\$.95) from the total sum of the monthly approved rate for each basic grade of service offered by the telephone system.
- 1.8.2 THE COMMISSION FURTHER ORDERS that any rates attributable to premium telephone sets or other vertical services shall be clearly set out as separate items on the monthly bill to the customer.

## **2.0 BACKGROUND**

For a number of years the Ontario Telephone Service Commission has received individual applications pursuant to section 91 of The Telephone Act for the connection of particular pieces of customer provided terminal equipment to the telephone systems subject to its jurisdiction. As the number and diversity of such applications increased, it became apparent that the question of customer provided terminal equipment ought to be addressed by the Commission as a matter of general regulatory policy. It was the Commission's view that it would not be

in the public interest to continue to deal with the matter in an ad hoc fashion. To do so would be to ignore the reality that the issue has become one of national concern which most regulatory bodies in Canada have either addressed or are currently in the process of addressing.

In order to make as informed a decision as possible, the Commission began its inquiry into this matter by publishing a notice in a number of newspapers requesting interested persons to identify what areas they considered to be issues associated with attachment of customer provided terminal equipment to the telephone systems subject to its jurisdiction. This notice was published on November 18, 1981 and the Commission received a substantial number of responses from interested parties. Subsequently, the Commission, after considering the responses, defined seven issues which appeared to be central to the determination of the question of customer provided terminal equipment. These issues were:

- (1) Whether or not or to what extent the attachment of customer provided terminal devices is in the public interest and if so, the appropriate scope and phasing in of customer provided terminal attachment.
- (2) The impact of customer provided terminal attachment on the needs of telephone subscribers, carrier responsiveness and the quality of service generally.
- (3) The impact of customer provided terminal attachment on the revenues, the costs and the rates of the telephone systems.
- (4) The effect of customer provided terminal attachment on telecommunication manufacturers and suppliers.
- (5) The technical standards and the method of compliance which should apply to customer provided terminal devices.
- (6) The rules governing the participation of a telephone system or subsidiary of a telephone system in the market for the provision of customer provided terminal devices.
- (7) The nature and extent of the Commission's jurisdiction to make orders dealing with customer provided terminal attachment particularly with respect to the current tariffs of the telephone systems under Commission jurisdiction and other questions of law.

The Commission, having decided that these issues were central to its deliberations, published a further notice on February 11, 1982 stating these issues and requesting interested persons to file comments with the Commission prior to April 30, 1982. In the same notice, the Commission indicated its intention to hold a hearing into the matter commencing June 23, 1982. By separate letter, the Commission advised each telephone system of its intention.

In response to its notice of February 11, 1982, the Commission received responses from a variety of interested persons. On June 23, 24 and 25, 1982, the Commission held a hearing in Toronto, Ontario. Parties in attendance at the hearing were:

- Canadian Business Equipment Manufacturers Association (CBEMA)
- Canadian Federation Communications Workers (CFCW)
- Canadian Radio Common Carriers Association (CRCCA)
- CNCP Telecommunications (CNCP)
- The Corporation of The City of Thunder Bay Telecommunications Department (Thunder Bay)
- The Director of Investigation and Research, Combines Investigation Act (The Director)

- International Brotherhood of Electrical Workers Local 339
- Joint Submission, Hurontario Telephones Limited, Durham Telephones Limited, North Norwich Municipal Telephone System
- Mid Canada Phone Systems (Mid Canada)
- Northern Telephone Limited (NTL)
- Ontario Hospital Association (OHA)
- Ontario Telephone Association (OTA)

Following the public hearing, the Commission requested that parties attending the hearing, file written argument within 30 days with the Commission and serve same on all parties of record. Parties were then given a further 15 days to comment by way of reply to the arguments of others. Arguments were duly received in accordance with the Commission's direction.

After considering all the material before it, the Commission in Interim Order No. 4188 dated November 18, 1982, came to a determination that the connection of customer provided terminal equipment (CPTE) to the telephone systems ought to be allowed, on an interim basis, subject to certain terms and conditions.

In the Reasons accompanying Interim Order No. 4188, the Commission identified rate unbundling as a matter which it believed must be addressed. The Commission invited parties to submit comments on specific proposals regarding unbundled rates.

Finally, on May 13, 1983, the Commission published a public notice inviting further comments on four areas of concern associated with interconnection of customer provided terminal equipment. These areas were as follows:

**1. Telephone Sets and Inside Wiring**

Should individual residence or business exchange service customers be offered the opportunity to provide either or both the primary telephone set and the inside wiring?

**2. Rate Unbundling**

If customers are offered the opportunity to provide either or both the primary telephone set and inside wiring, how should the monthly flat rate be unbundled to reflect the different components such as access charge, terminal set charge and/or inside wiring charge?

**3. Small System Prohibition**

Currently, business customers served by a telephone system with less than 1500 main telephones are prohibited from connecting customer provided equipment. Should this restriction be removed?

**4. Interim Experience**

The Commission is interested in receiving comments from any party which has been affected by the terms and conditions for interconnection set out in Commission Interim Order No. 4188.

The Commission now has before it a record of comments from many interested groups and persons concerning a variety of the complex questions associated with the issue of CPTE. This record has been collected over a period of two years after numerous requests for submissions, a public hearing and experience with CPTE during an interim period. The Commission is now of the view that it has sufficient information before it that it can finalize its Order in a more definite way with respect to many aspects of this topic.



### 3.0 PART I: GENERAL

After careful consideration of the lengthy record in this proceeding, the Commission has come to the determination that interconnection of customer provided terminal equipment to the network of the telephone systems is in the public interest and a final Order should be issued setting out the institutional arrangements necessary to implement this decision. It is the Commission's view that the customers of the telephone systems, the telephone systems themselves and the provision of telecommunications services generally in Ontario will benefit from this step.

Customers of telephone systems will benefit because of access to a broader range of telecommunications equipment. In a changing telecommunications environment the public increasingly desires new and innovative terminal equipment in a timely fashion to which they may be denied access under the historic method of tariffed offerings by the telephone systems.

The new diversity of telecommunications equipment which fulfills specialized needs is simply not susceptible to a system of provisioning which requires telephone systems to provide such equipment according to rigid tariff constraints and regulatory approvals. As well, the Commission believes that customers will benefit from competition of terminal equipment among suppliers including the telephone systems themselves. Competition, where it is possible, generally is productive of lower prices and more efficient service than is available under conditions of monopoly supply. In the Commission's view, the provision of terminal equipment today is no longer an area of natural monopoly in the theoretical economic sense. Competition should be allowed in this area of the telecommunications business so that customers are able to receive the benefits of competitive supply.

The Commission has also carefully considered the impacts which may affect the telephone systems. Several representatives of the telephone industry in Ontario have advanced the proposition that serious revenue erosion will result from CPTÉ. The Commission's views on the topic of revenue erosion are dealt with elsewhere in this Order. Suffice it to say here, there has not been any documented case brought to the Commission's attention which would substantiate this proposition. During the course of the public hearing, the question of revenue erosion was raised on several occasions. No representatives of the telephone industry in Ontario were able to supply quantitative analysis which would demonstrate conclusively that the provision of terminal equipment was a source of revenue contribution to basic local service.

Mr. Charles Zielinski, a witness on behalf of the Director of Combines Investigation and Research under the Combines Investigation Act, provided evidence that in the United States formal studies had not established this proposition. Mr. Zielinski's evidence at pages 229 and following of the transcript was that indeed it had been found in some American studies that in fact terminal equipment was a recipient of a subsidy. As a result, the Commission has concluded that any revenue loss would be of little consequence.

Telephone systems may also benefit from the CPTÉ. As will be discussed at greater length later in these Reasons, telephone systems will achieve a larger measure of latitude with respect to terminal equipment offerings under a number of circumstances. Also, telephone systems can have an equal opportunity to join in the competitive market with respect to the sale of terminal equipment and to take advantage of these opportunities.

## 4.0 PART II: DECISION ON THE ISSUES

The Commission has reviewed all the material before it in light of the issues which it published for comments. In many instances each broad issue was found to contain several subcomponents. The Commission's decision on each of the issues are discussed sequentially.

### 4.1 ISSUE 1

WHETHER OR NOT OR TO WHAT EXTENT THE ATTACHMENT OF CUSTOMER PROVIDED TERMINAL DEVICES IS IN THE PUBLIC INTEREST AND IF SO, THE APPROPRIATE SCOPE AND PHASING IN OF CUSTOMER PROVIDED TERMINAL ATTACHMENT.

In its Interim Order No. 4188, at section 1.8, the Commission defined the extent to which it believed that connection of customer provided terminal equipment was in the public interest. The Commission stated:

- 1.8 THE COMMISSION FURTHER ORDERS that the telephone system provide the necessary inside wiring, including the connecting device(s) and, in the case of single line service, a telephone set, to every customer wishing to interconnect customer provided terminal equipment, at rates approved for such services.

Implicit in the Commission's Order was that telephone systems continue to provide the main telephone set, the jack and the inside wiring for single line service. In examining the material before it and the experience during the interim period, the Commission has reviewed this portion of its Interim Order in coming to a final determination.

#### 4.1.1 The Main Telephone Set

Under existing tariff arrangements the requirement that the telephone company provide for all customers the "main" telephone set from the telephone system was not unreasonable. The tariff charge for single line residential service and business service includes one telephone set. Without unbundled rates for the set and network access portions of the monthly charge previous tariff constraints alone justified this requirement. During the interim period, the Commission was of the opinion that it was not feasible to unbundle the flat rates until the decision on all issues was finalized.

The desirability of retaining a main telephone requirement was addressed by a number of interested parties. No party has recommended to the Commission that a main telephone requirement be retained if the Commission decided to permit customer provided terminal equipment and many specifically recommended that the main set or primary instrument concept be abandoned. The comments of several parties will suffice to indicate the general tone of the telephone industry's concern. Northern Telephone Limited at page 13 of its Final Argument stated:

The Company's position on demarcation points is intended to eliminate confusion and provide for a clear understanding of the rules by all parties.

The Company is also concerned that if it is obliged to provide the primary instrument, and this primary instrument was not a source of contribution, but in fact a subsidized item, then we would be obligated to carry the non-compensatory item as well as competing in competitive areas of terminal attachment.

Also a further shortcoming of the primary instrument concept is that, customers would not have the option of supplier or saving money by doing their own installation of their first telephone set and associated inside wiring.



The Ontario Telephone Association made the following comment at page 2 of its Final Argument:

It is the Association's opinion that the primary set concept should be abandoned as it has been in the U.S. During the proceedings there was no evidence given which would suggest that having the customer responsible for all terminal devices and inside wire would be detrimental to the customer.

The Director also advocated the abandonment of the primary instrument concept. At pages 3 and 4 of his Final Argument the following comment is found:

The Director submits that the type of equipment included within the Commission's Final Decision on terminal attachment should include primary and extension instruments, inside wiring, telex equipment and mobile telephone terminal devices.

The derivation of uniform technical standards alleviates the frequently expressed concern for the protection of the network and eliminates the need for protective measures such as requiring that the main station be the property of the telephone company, commonly known as the primary instrument concept.

Mr. Charles Zielinski, a witness called by the Director gave evidence on the desirability of a primary instrument concept. Mr. Zielinski's comment at page 242 of the transcript is reflective of his view that the concept should be rejected:

MR. ZIELINSKI: "...I see no reason why a person should be forced to take even one instrument from the telephone company if that person chooses not to. I began with the proposition that the customer, the subscribers ought to have the maximum freedom of choice that is possible. Unless there is some very strong reason for society as a whole to require a person to take one instrument from the telephone company, I see no reason why a person should be forced to do so."

The Commission also notes that the primary instrument concept has been rejected both by the Federal Communications Commission of the United States and by the Canadian Radio-television and Telecommunications Commission.

Upon review of these submissions and the experience during the interim period, the Commission is convinced that customers and the telephone systems will benefit from a competitive environment allowing a freedom of choice in respect to terminal devices. In view of the Commission's decision to require the unbundling of rates, no rationale remains from a tariff perspective to maintain a primary instrument concept. For these reasons, the Commission has decided that customers need no longer take any telephone set from the telephone system but now may own any telephone set within the premises.

#### **4.1.2 Inside Writing Including the Network Connecting Device**

Many parties have addressed the problem of customer provided inside wiring in their evidence, arguments, and in response to the Commission's Notice of May 13, 1983. The telephone industry has argued that if customer ownership of the terminal equipment is allowed, then customer ownership of inside wiring is preferred. The telephone industry would prefer that the demarcation point between telephone system provided equipment and the responsibility of the customer be the protector at its entry point at the customer's premises.

The proponents of customer owned inside wiring made extensive argument on the point. Northern Telephone Limited at page 12 of its Final Argument stated:

Without detailed records showing the Company's inside wiring and main telephone set location, there could be confusion in terms of maintenance resulting in serious misunderstandings over repair visit charges. Also the Company could incur added maintenance expense on telephone plant which it does not own.

and at page 13:

Such records may prove to be worthless since there would likely be re-arrangements of inside wiring and telephone apparatus undertaken by subscribers without the Company's knowledge.

The Company's position on demarcation points is intended to eliminate confusion and provide for a clear understanding of the rules by all parties.

Thunder Bay stated its preference for customer ownership of inside wiring at page 2 of its Final Argument:

Should the attachment of customer provided terminal devices be considered by the Commission to be in the public interest, then the ownership of all inside wiring, jacks or outlets should be transferred to the customer under an appropriate arrangement which would allow the telephone system to recover its costs. The point of connection would then be the network interface device and the customer would be responsible for all provisioning and maintenance of the inside wire and associated equipment on the terminal side of the network interface device.

The Ontario Telephone Association also supported the customer provisioning of inside wiring at page 2 of its Final Argument:

The position of the Association and its members is that if use of CPTDs is allowed then the telephone company will provide and maintain service up to a company provided termination device. All equipment and wiring past that point will be provided and maintained by the customer. Companies may or may not at their option then continue to provide equipment and inside wiring by whatever means (sale, lease or rental) to the customer under non regulated competitive conditions. All companies within our membership have indicated that they will continue to provide necessary services.

The presenters of the Joint Submission rationalize the view that customers should own inside wiring at page 1 of their Final Argument. They stated:

Customers to be responsible for the provision and maintenance of all equipment and facilities including inside wiring *beyond the network terminating device*. The reasons for this are:

- (a) Avoid confusion for the customer.
- (b) Minimize cost for testing and maintenance.
- (c) Permit customer to have greatest options – if interconnect is good we should give customer greatest options available.

CNCP among appearing parties rejected the ownership of inside wiring. At pages 5 and 6 of their Final Argument, CNCP outlined their concerns:

In this proceeding some telephone companies have adopted the position that they should provide inside wiring only to the point of first entry to a subscriber's premises in the case of one tenant buildings or to a termination point on each floor in the case of multi-tenant, multi-storey buildings: see, for example, Evidence of Northern Telephone Limited, page 7, and Evidence of City of Thunder Bay Telecommunications Department, page 3. Under this proposal, the telephone companies would have no responsibility for providing risers for single tenant, multi-storey premises. Such a situation could give rise to an element of arbitrariness in the provision of inside wiring for telephone subscribers who also subscribe to Telex service: see the testimony of Mr. Cooper on behalf of Northern Telephone Limited, volume 3, pp. 421 *et seq.* There is also the possibility that the provision of risers by subscribers would lead to unnecessary duplication of facilities and to the over-taxing of available space in risers in multi-storey buildings.

In the United States, the FCC Rules treat risers as part of the local loop and it is therefore the obligation of the telephone companies to provide risers in *all* multi-storey buildings. In CNCP's view, the FCC solution represents the preferable course for the OTSC to follow as it ensures that adequate facilities will be available in all multi-storey premises.

The telephone companies' tariffs should require that they furnish and install all necessary inside wiring to the point of connection with the first telecommunications terminal on every local loop. In instances where a subscriber owns its own PABX, for example, this proposal would permit the subscriber to own the inside wiring between the PABX and each telephone handset. On the other hand, since Telex local loops are not wired into the PABX, the telephone company would be obliged to furnish inside wiring to the point of connection with the Telex terminal.

Mr. Zielinski, the witness on behalf of The Director, supported the notion basically from the economic prospective of the efficiencies inherent in competitive supply (see transcript, Volume 2 at page 246 and following). CNCP's concern that customers not provide inside wiring was predicated on the difficulties which such arrangements could pose CNCP in the provision of its Telex and Data services. The CFCW and the International Brotherhood of Electrical Workers were concerned that customer provision of inside wiring would adversely affect employment.

CBEMA's position is that customer provision of inside wiring should be at the option of the customer. CBEMA at page 1 of its comments in response to the May 13, 1983 Notice strongly advocated the proposition that customer ownership of inside wiring should be optional in the following passage:

Concerning inside wiring, CBEMA members believe that the ability to provide such wiring should be an option available to individual residence and business users. For both residential and business users there may be instances where it is more economic to provide their own wiring or where special requirements on flexibility or routing of wiring make it impractical for the telephone company to provide the wiring.



The CFCW stated categorically that inside wiring should remain the telephone system's responsibility. At page 2 of their comments in response to the May 13, 1983 Notice, the Union states:

It is noteworthy that the Canadian Radio-television and Telecommunications Commission in its decision 82-14 on The Attachment of Subscriber-Provided Terminal Equipment, although they permitted customer ownership of the primary instrument as an option and allowed leasing or ownership of inside wiring for multi-line installations, insisted that single-line inside wiring be leased from the telco. Their reasons seem to have been the difficulty of sorting out ownership of various single-line services in a multi-residence building such as an apartment house where some subscribers could be on party lines and therefore leasing, and others might lease and others own outright and the units are subject to change. This objection to single-line inside wiring ownership was very forcibly argued before the CRTC by the counsel for the Province of Ontario.

Hurontario Telephone Limited at page 1 of its response to the May 13, 1983 Notice stated:

Customers should *not* be offered the opportunity to choose whether they wish to own the primary set and inside wiring or not. Hurontario Telephones strongly believes the best position for both the customer and the telephone company is that the customer own the inside wiring and the telephone set. If deregulation is not acceptable to the government, we strongly urge that they do not go halfway and allow the customer to have the option whether they own or not. We foresee nothing but headaches, hassles and disputes if some of the inside wiring is owned by customers and some is owned by the telephone company.

Northern Telephone Limited also urged the Commission not to permit optional ownership of customer inside wiring. In stating its next best alternative at page 2 of its comments in response to the May 13, 1983 Notice, Northern Telephone Limited stated:

The Company submits that the next best alternative for single line customers would be for the Company to provide and maintain all necessary inside wiring, since the least desirable and totally unacceptable arrangement would be to have an ownership mix of inside wiring.

If both customer and Company ownership of inside wiring are permitted, we foresee administrative problems arising such as establishing exactly which inside wire is the Company's responsibility and which is the customers'. It would be impractical and costly for the Company to maintain detailed records on the ownership of status of inside wiring. The Company is very concerned that an environment of mixed ownership for inside wire for single line customers will create difficulties for Company personnel as well as for customers.

The rules concerning the provisioning of inside wiring must be as simple as possible to minimize Company cost, negate customer confusion and ensure good service to telephone subscribers.

Thunder Bay made a similar comment at page 2 of its response to the May 13, 1983 Notice:

Thunder Bay Telecommunications proposes that individual residents or business exchange service customers be offered the opportunity to provide both the primary telephone set and the inside wiring; however, it is our view that mixed ownership of equipment in a customer's premises will result in jurisdictional and administrative problems which more often result in disputes rather than solutions.

The Commission has carefully reviewed all the material before it. The evidence related to the question of inside wiring during the hearing was very extensive but not sufficient to warrant a departure from existing arrangements. Also there has been no evidence of customer demand for the ownership of inside wiring. The evidence before the Commission has offered no viable alternative at this time. Therefore, the Commission has determined that customer ownership of inside wiring including network connecting equipment (telephone jack) should not be permitted. It is the Commission's decision that telephone systems will retain responsibility for the ownership and provision of all inside wiring and jacks.

As the market evolves and customer attitudes are better known, it may be that customer ownership of inside wiring will be in the public interest. In the meantime any subscriber who so wishes may apply to the Commission pursuant to section 91 of The Telephone Act to provide his own inside wiring. The Commission would deal with any such application having regard to its own special circumstances.

#### 4.1.3 Two-Party and Multi-Party Line Service

In section 1.6.3 of its Interim Order No. 4188, the Commission limited the scope of the provision of customer provided terminal equipment to single line service. During the course of the hearing, the Commission heard evidence regarding the issue of terminal interconnection for two-party and multi-party line service.

At page 439 of the transcript and following, Mr. Cooper of Northern Telephone Limited responded to a question of Mr. Hawkins of Thunder Bay:

MR. HAWKINS: Just one question, Madam Chairman, if I may. Mr. Cooper, with respect to the attachment of customer-attached terminal devices on multi-party lines, we have discussed a number of reasons I think as to why that should not be permitted. That is built in problems that are associated with that kind of thing. Perhaps errors and mistakes are made by the customer in attempting to attach his telephones to that line. Can you perhaps think of any other reasons as to why the attachment of customer-provided terminal attachments on multi-party lines should not be allowed?

MR. COOPER: Some of the problems that would be faced on the part of our own company is in the situation where we do have some, it is minor some mix of business and residents on the same line. It is conceivable that a business person could have a telecopier or an answering device. A telecopier would probably be a better example. He could be tying up that line for two or three minutes, 10 to 20 minutes. An undue length of time in which case other subscribers would be unable to get that line. There is a pretty clear understanding today that party line service is to be shared and we try to encourage customers to restrict their time and use it for two or three minutes.



There is always the danger of emergency and fires and those kinds of things. If you have a situation where copiers are being used for example, there is no way that other members on that party line could access that line until the use of that copier was done. I think that is maybe not as large a problem or a likelihood, but it is an example of other things that could be provided. I suppose there is always the possibility too, we heard on Wednesday from CBEMA where rural people are going to be looking for access to Telidon terminals and things of that nature. It is again conceivable in rural areas in farm communities where there are three or four parties on a line the same kind of thing can happen. The multi-use of the facilities and again the possibility, the strong possibility that the customer could not break in on the line for emergency purposes.

That could make a real problem in addition to the technical problems of loads and too many parties and improper balancing of the sets on the line as well.

Later Mr. Cooper responded to questions posed by the Commission's counsel where the basis of the question was a billing insert which purported to be issued by the Manitoba Telephone System. At page 448 and following of the transcript, the following exchange took place:

MR. McCALLUM: My question is simply this, Mr. Cooper: if the Commission were to adopt a position that terminal attachment should be permitted and should be permitted on two-party and multi-party lines, would that type of an approach meet the difficulties which you have identified?

MR. COOPER: We have looked at this two-party and multi-party area very carefully and I suppose for the sake of consistency we would like to suggest that the terminal attachment liberalization apply to rural and two-party as we are suggesting to everybody else.

However, we are convinced from the reviewing we have done in this area and the problems and the difficulties that we would encounter suggest to us that we should maintain control of that set at least for the time being. I think in the evidence yesterday in support of Mr. Finlay talking to the U.S. experience it was certainly accepted that the multi-party was in an area that still had problems. Some of the difficulties – some of the difficulties and maybe I could just elaborate if you would –

MR. McCALLUM: Certainly.

MR. COOPER: It is interesting if this requires a premise visit a service charge will apply. What one could foresee in a situation like that is there is a cost involved. Once the door is open to customers being able to provide their own equipment rural customers included, I think there will be a tendency for all customers to try to connect his own telephone set. If the service charge is considered in his view to be high or unreasonable then he may attempt to put the set in himself and this is likely to cause real problems.

There are technical problems associated with loading the facilities. If a party line – I think Mr. Downs talked to the quantities of telephones that can be put on a party line and it is really related to the number of ringers and, you know, one of the questions that we might have to face is in the case where an eight-party line with eight customers on it and let's say there are four or five extensions on each side in addition because people are taking this kind of service, once you exceed five ringers on one side of the line, you cause transmission problems. Who makes the decision of who removes their sets? We want to balance it up and

that causes problems. There are some sets that are excluded from this list and there are a lot more sets the customer might buy and try to hook them on. Some I believe cannot even be modified to be handled on a multi-party line. In our case if a customer has a set of that nature which we have tried to modify but can't, some equipment requires that the lines be rearranged so that the technical problems can be resolved. That takes time and it takes money, so there are many problems associated with permitting this type of approach in a multi-party and two-party area of this kind.

I would guess that over time and engineering people, the people with the technical experience may be able to resolve it but we are convinced that there are too many problems associated with it, many opportunities for us to get into confrontations or arguments with our customer about who is at fault, who should pay and we think for simplicity initially anyway that we should retain control of the set in that environment.

Mr. Downs, who spoke for the Joint Submission, also gave evidence on this point at page 302 and following of the transcript. After a lengthy and illuminating discussion of the difficulties associated with ringing and automatic number identification, Mr. Downs answered the following questions posed by the Commission's counsel at page 310 and following of the transcript:

MR. McCALLUM: Now, Mr. Downs, at the set, if the Commission did permit the customer ownership of terminal devices on party lines and stipulated that such equipment be brought to you first to ensure that it was compatible with the line in question would you have any objection to that?

MR. DOWNS: There is a problem there because not all sets can be modified for party lines. Some sets can only be used on individual lines with tip ringing.

MR. McCALLUM: Well suppose someone brought you one set and you looked at it and said, "Yes, that is suitable for modification," and perhaps even undertook to modify the set for him and sent it back out, would you have any objection to the set being hooked up under those conditions?

MR. DOWNS: He brought to us a set that was modifiable?

MR. McCALLUM: Yes.

MR. DOWNS: I guess if proper rates and everything were established for it these things could be accommodated.

MR. McCALLUM: If someone brought you a set that wasn't capable of modification you would just tell him so I guess?

MR. DOWNS: Yes.

It appears that certain problems can arise when customers on party lines hook up their own equipment without the knowledge of the telephone system. The Commission is most concerned that these problems be avoided to the greatest extent possible and believes that it is far better to permit the provision of customer provided terminal equipment on two-party and four-party lines than to prohibit it. If it is permitted rules can be established to ensure that the provision of telephone service continues with no disruption. If it is not permitted customers may attempt to hook up their own equipment notwithstanding, thus causing network problems and billing errors.

In response to May 13, 1983 Notice, Thunder Bay provided several examples of misunderstandings which it had encountered with its customers regarding the improper installation of customer equipment. At page 5 of its comments, Thunder Bay gives two examples of difficulties on two-party and multi-party lines:

**Example #5 – 142 Burns Road**

Trouble reported	– Trouble on line
Trouble found	– Customer-connected equipment on a rural line (party line)
Action	– Customer equipment disconnected and charged \$43.25 service charge

**Example #7 – Second Side Road, Murillo**

Trouble reported	– Customer answering party lines' rings
Trouble found	– Subscriber connected own telephone set on a $\pm$ -party line
Action	– Customer equipment disconnected and customer assessed \$43.25 service charge. Customer complained extensively

The Commission is of the opinion that these difficulties might not have arisen had customers been permitted to attach their own equipment subject to rules. The Commission also considers it imperative that the rules governing CPTe be explained not only to two-party and four-party customers but to all customers who provide their own equipment.

The Commission has examined the extent of customers currently taking two-party and four-party line service. As of December 31, 1982, the breakdown of customers for all independent territory is as follows:

Single party	– 133,959 (78.9%)
Two-party	– 16,934 (10.0%)
Four-party	– 11,015 ( 6.5%)
Multi-party	– 7,870 ( 4.6%)

Having regard to the fact that 16.5% of customers on two-party and four-party line service would benefit from the attachment of customer provided terminal equipment, the Commission believes that it is in the public interest to permit such attachment subject to rules.

The Commission has reviewed very carefully the evidence given at its hearing and is of the opinion that the scope of terminal attachment should be expanded to include the attachment of single line telephone sets to two-party and four-party line service subject to the rules as established in section 1.0 of this Order.

The Commission has excluded multi-party customers from this Order because all telephone systems subject to its jurisdiction are working toward a 1985 deadline for upgrade to four-party service in the rural territory. Since completion of these upgrades has occurred in some systems and is imminent in others, the Commission believes that it is not in the public interest to permit CPTe on multi-party lines.



Also, the Commission has limited the scope of terminal attachment at this time to single line telephone sets for two-party and four-party line service. The Commission considers that to allow the attachment of terminal equipment of a more complex nature such as key sets or other types of automatic equipment might result in long holding time on the telephone line to the detriment of other parties on the same line. The Commission will closely monitor this particular aspect of terminal attachment.

Specifically when a customer wishes to attach a single line telephone set to a two-party or four-party line, the Commission requires such equipment must be brought to the telephone system's office and inspected to ensure that it will function properly on the line. Where inspection and modification is required to the set is provided, telephone systems will charge such rates as filed and approved by the Commission. Since the Commission considers that two-party and four-party customers should have the ability to attach customer provided terminal equipment within a reasonable time period and as it is a requirement of the telephone system to ensure that there is no adverse affect to the network, the Commission requires that such rates be filed for approval within ninety (90) days of the date of this Order.

#### 4.1.4 **The Small Telephone System Prohibition**

In Interim Order No. 4188, the Commission permitted attachment of customer provided terminal equipment only to those systems with 1500 main stations or more. In coming to this determination, the Commission had regard to a number of factors which it outlined at page 10 of its Reasons for the Interim Order:

The decision to differentiate between larger and smaller systems was made having regard to the Commission's decision adopting the Uniform System of Accounts. It was the Commission's opinion that systems with less than approximately 1500 main stations would have insufficient resources to administer the Uniform System of Accounts. Similarly, the Commission is of the view that relatively small telephone systems may not have the resources to deal with the potential consequences of terminal interconnection in a timely fashion. More importantly, it is the Commission's view that if terminal interconnection should create any upward pressure on telephone rates, it may be the customers served by the small systems who will be affected to the greatest extent. If, during the interim period, telephone systems with less than 1500 main stations have any evidence, circumstantial or otherwise, which is relevant to this issue, the Commission will accept and consider a submission before rendering a final decision.

The Commission has reviewed the material received in regard to its request for comments of May 13, 1983. Only CBEMA and Thunder Bay addressed this question in a substantive way. It was their opinions that unless harm was demonstrated that as a matter of principle the small system prohibition should not be retained.

With respect to possible negative revenue impacts, the Commission has had no conclusive evidence of any revenue impairment (see section 4.3.1). The Commission also finds it significant that neither the Ontario Telephone Association nor any small system has come forward to provide any rationale for the continuation of this prohibition. Accordingly, in making its final determination on this subject, the Commission has decided not to continue the small system prohibition and has decided that the provisions of this Order should be equally applicable to all telephone systems subject to its jurisdiction.

#### 4.1.5 Customer Information

The Commission is concerned that customers of the telephone systems should have available to them all information in respect to customer provided telephone equipment. In this regard the Commission has directed all telephone systems to give proper notice to their customers by means of an insert in their monthly billing. The Commission strongly suggests that the telephone systems by the vehicle of their Association (OTA) formulate a uniform notice that may be used by all systems to notify their respective customers. The Commission is prepared to assist in the preparation of this written notice.

#### 4.2 ISSUE 2

THE IMPACT OF CUSTOMER PROVIDED TERMINAL ATTACHMENT ON THE NEEDS OF TELEPHONE SUBSCRIBERS, CARRIER RESPONSIVENESS AND THE QUALITY OF SERVICE GENERALLY.

As stated in section 3.0 of this Order, the Commission indicated its view that competition in the provision of terminal equipment is in the public interest. The evidence of the Ontario Hospital Association (Appendix B to its submission of April 30, 1982 at page 5 and following) details the experience of the members of the Association regarding the degree of the satisfaction in providing for their telecommunications needs solely through a single serving carrier. The Commission takes this evidence to be supportive of the proposition that in the absence of competition, a single carrier supplier is less likely to be immediately responsive to the needs of its subscribers.

Mr. Kannen of Mid Canada pointed out during the public hearing, the difficulties and apparent inequities which arise when different rules apply in essentially the same geographical area. At pages 317 and 318 of the transcript, Mr. Kannen made the following statement:

Some geographical areas in Northern Ontario fall under the CRTC control while others fall under OTSC jurisdiction. There is currently a great variety of equipment which in some localities can and in other localities cannot be attached to network facilities due to the different approaches taken within these two jurisdictions. Subsequent to the CRTC decision 80-13 the Northern Ontario market has been divided between these two jurisdictions resulting in a dichotomy which allows a customer in a certain geographical area to interconnect while another, while not allowing another customer, in some cases less than 15 miles away, to enjoy the same benefit. We believe this is contrary to the public interest.

The Commission is of the view that customer needs in the territory of systems subject to its jurisdiction are not very different from customer needs in adjacent territory. The Commission is also concerned that if the needs of customers are not dealt with in a manner consistent with those in adjacent territory, confused and dissatisfied customer reaction may result.

In elaborating on CBEMA's brief during the public hearing, Mr. Murray on behalf of the Association also commented on the desirability of customer choice and indicated the Association's preference for such an adaptation of the federal decision. At pages 14 and 15 of the transcript, Mr. Murray stated:

MR. MURRAY: We believe that these developments have been in the public interest and that now, as many of these products or services utilize communication facilities, it continues to be in the public interest to permit users to have this choice of equipment and this choice of supplier. We believe that only a competitive environment can meet the user's needs and not the supplier to never meet this variety of user demands that now exist.



To create this environment, therefore, it is essential that users be able to provide and attach whatever equipment best meets their own requirements. If the equipment is to be attached to telephone lines by the user, it is of course necessary to have standards that such equipment must meet. So that the equipment will not harm the telephone network. Manufacturers, suppliers and users will all enjoy cost benefit. If the standards apply to a very large marketplace, unnecessary cost will be incurred and users may be restricted, however, in their choice if standards are not universal.

The members of CBEMA urge the Commission to assist the development of a uniform business environment in Canada and to provide this same benefit to subscribers of the independent telephone systems in Ontario as exist for subscribers of Bell Canada in Ontario, by ensuring liberalized terminal attachment and by adopting the forthcoming decision of the federal CRTC in terms of terminal equipment attachment and finally the forthcoming decision of the CRTC and the standards and procedures which apply to such attachment.

Mr. Charles Zielinski in his filed testimony at page 9, made the following statement:

In examining the terminal equipment business, we found no evidence to suggest that it was a natural monopoly. First, the equipment is not a monolithic product such as might conceivably be most efficiently supplied by a single firm: there is no comparison between cubic feet of gas or kilowatt-hours of electricity and data sets or switchboards. And, second, there is no evidence to suggest that the manufacture of this kind of equipment is characterized by such dramatic economies of scale that individual regulated firms can do it more efficiently than a variety of competing companies.

The Commission has heard evidence or argument that would support the proposition that the provision of terminal equipment is *not* a natural monopoly area in the provision of telecommunications services. Also there was further evidence that competitive market in this area is more responsive to the needs of users of the telecommunications system in Ontario. Accordingly, the Commission finds that the provision of terminal equipment should be a competitive market.

In setting out Issue 2, the Commission wished to address the possible difficulty that customer provided terminal equipment could adversely affect the quality of service in Ontario. Technically, there is no reason why the ownership of equipment by customers rather than telephone systems should of itself adversely affect the quality of service. Indeed where a customer has elected to provide his own terminal equipment in accordance with appropriate technical standards the only quality risk he bears is the one he himself incurs through his own choice.

The availability of good maintenance facilities to customers who provide their own terminal equipment was discussed during the course of the public hearing. While the Commission believes that many companies providing interconnect facilities will provide good maintenance programs, absence from the physical location of the facility is likely to delay repair to equipment failures in the more remote serving territory. Yet if these customers are to have a choice in providing their own equipment, they must at the same time weigh the relative advantages of the independent supplier and the telephone carrier to provide maintenance.

Thunder Bay addressed service quality from a different perspective – that of unauthorized connections. Unauthorized connections of customer owned terminal equipment may very well lead to service quality and related problems in the manner which Thunder Bay describes. However, unauthorized connections would create the same problem whether or not some form of customer provision of terminal equipment were allowed. It is just as likely that such activities would take place in territory where connection is permitted as

where it is not, particularly since customer ownership is permitted in other parts of the province. No one can be responsible for the unauthorized activities of others. This is one reason why the Commission has permitted CPTD for two-party and four-party line service as described. Nevertheless, the difficulty of unauthorized connections, as the province as a whole moves to a liberalized atmosphere in the provision of customer provided terminal equipment, should be addressed through the establishing of tariffs for visits to customer premises where no fault is found with the telephone systems equipment. As well there are other possible measures available under The Telephone Act where unauthorized attachment has interfered with the provision of telephone service.

#### 4.3 ISSUE 3

##### THE IMPACT OF CUSTOMER PROVIDED TERMINAL ATTACHMENT ON THE REVENUES, THE COSTS AND THE RATES OF THE TELEPHONE SYSTEMS.

The effect of customer provided terminal equipment on carrier revenues, costs and rates has been of concern to the Commission. As noted earlier in these Reasons, the Commission specifically included a small telephone system prohibition in its Interim Order No. 4188 partially because of the concern that severe financial hardships might result. The Commission wished to have some period of time during which to assess any information provided by the telephone systems regarding the revenue impact of customer provided terminal equipment through operational experience.

##### 4.3.1 Carrier Revenues and Costs

The contention that permitting customers to provide their own terminal equipment will result in a negative impact on telephone system revenues is based on two assumptions. Firstly, the cost savings to the telephone system will be minimal in relation to the revenues lost. Evidence indicated that any cost savings will fall far short of offsetting the expected loss in revenues. Secondly, the loss of an alleged cross subsidy from revenues of terminal equipment to basic services will result in an upward pressure on basic telephone rates to compensate for the loss.

Both of these assumptions and the conclusion of a negative revenue impact is based on the premise that terminal equipment revenues not only cover all the related costs but also provide a return to the telephone system in excess of the return realized from basic telephone services.

The Commission was not presented with any conclusive evidence which would either confirm or refute the assumption that competition in terminal equipment will result in a negative financial impact. Nevertheless, the Commission received a number of submissions that assumed that a loss would in fact occur.

Among the comments received from the telephone industry on this point, the Commission particularly noted the following.

The Ontario Telephone Association at pages 3 and 4 of its filed comments made the following statement:

The impact on revenues will depend on the extent that CPTD's are permitted and the degree of penetration of competition. Information obtained as a result of the C.R.T.C. interim decision concerning Terminal Attachment in Bell Canada service area indicates that penetration in the Canadian Market is much deeper than that experienced in the U.S. It is assumed that rates for basic services will be "unbundled" prior to CPTD's being permitted. Therefore, existing revenues

for terminal equipment together with the "station connection" component of the "unbundled" rate will be subject to competition. In addition, service charges will have to be "unbundled" with a portion of these also being subject to competition. It is therefore, safe to assume that regulated revenues as we now know them will be reduced as a result, and should compensating decreases in costs not be experienced, regulated revenues will have to be increased.

and then further on page 4:

Currently, Vertical Services provide a contribution to revenues and help to offset the cost of providing local service.

In elaborating on the brief of the OTA, Mr. Stevens made the following comment at pages 461 and 462 of the transcript:

Loss in vertical or if you wish premium services will result in a loss in revenue. Our reductions in cost will not equal the reduction in revenue. This is particularly pronounced with small telephone systems that will not be able to reduce staff. The final result of this net revenue reduction will be an increase in telephone rates.

Before Mr. Finlay questions whether vertical services are making a positive contribution to our revenue I would like to inform him of several facts.

(a) Before we can introduce vertical services the rate must be approved by the OTSC. The calculation of these rates which the OTSC scrutinizes includes a rate of return. The OTSC insists that this rate of return is equal to or greater than our overall rate of return and in practice this rate of return is admittedly higher than the overall rate of return, often doubled.

When questions were asked of Mr. Stevens and Mr. Dunn of the OTA by Mr. Finlay, counsel for the Director, the following exchange took place at pages 467 and 468 of the transcript:

MR. FINLAY: Now, I want then to come to the point that you alerted me to in your submission which was the fact that you are permitted a greater rate of return on your terminal equipment than you are with respect to other local service offerings and that was proof that in fact there was a cross-subsidization. I take it other than that fact do you have any other evidence with which you could assist this Commission on this point?

MR. STEVENS: I will let Mr. Dunn answer that question.

MR. DUNN: No, not really as far as studies are concerned and so on but Mr. Cooper this morning testified and we have had the same experience in some of the other independent companies where they do make application for vertical services, whatever you want to call it, the rates of return we have been allowed, the companies have been allowed on those items have been in excess of the average rate of return which our operations have earned.

MR. FINLAY: If we accept that then other than that fact there is no other evidence you can point us to to support the proposition, there is in fact cross-subsidization?

MR. DUNN: No, not in the Ontario industry. I would suggest perhaps some of the information which we were looking at yesterday which your own witness did put forth, also in the case of some of the people below the border might also agree with the position your witness was taking.



Thunder Bay made comment on this topic in Issue 3 of its written submission in the following passage:

The Department cannot, at this time, quantify to what degree customer provided terminal devices could impact on rates and revenues. Currently, vertical services provide a major contribution to revenues and assist in maintaining a reasonable basic service rate. Basic rates must be unbundled, optional services which will become competitive will be driven closer to actual costs and priced at market value. Assuming a loss in the market share and revenue of optional services, the Department feels to continue to provide good basic telecommunications service, rates for basic telephone service will increase at a greater degree than would have been previously required in a non-competitive environment. Further impact in revenues will result as service charges will also be subject to competition.

and further:

The Department maintains that a two to three year period will be required to determine actual impact on revenues.

During questioning at the hearing, Mr. Hawkins of Thunder Bay answered questions by Mr. Finlay, counsel for the Director. The following exchange took place at page 178 and following of the transcript:

MR. HAWKINS: ... Essentially I believe that the revenues from terminal equipment, in fact the reverse may be true that revenues from terminal equipment may in fact cross-subsidize local exchange service. We in our organization attempt to identify all of the costs associated with terminal equipment and our applications to the Commission for tariffs reflect all of those costs so there we attempt to show that there will be no cross-subsidization from basic exchange service to terminal equipment.

MR. FINLAY: Am I being fair to you, sir, when I say you cannot be sure today whether in fact there is a cross-subsidization flowing from the terminal equipment portion into your local service portion?

MR. HAWKINS: I cannot quantify it.

MR. FINLAY: To be quite fair, don't we have to go a little further and say that you cannot in fact be sure that there does exist such a cross-subsidization?

MR. HAWKINS: I would have to say I am reasonably sure that there is no subsidization of terminal equipment from basic exchange service.

MR. FINLAY: My question is the other way. My question is simply that today from your point of view you cannot be sure that in fact there is a cross-subsidization flowing from the terminal equipment portion into your local service portion?

MR. HAWKINS: I would suggest that there in fact may be some cross-subsidization from terminal equipment into the local exchange portion, however I cannot quantify it.

MR. FINLAY: I am just trying to be absolutely fair with you. You say there may be. My point is with respect to the assistance you can provide this Commission today with respect to the issue of cross-subsidization from terminal equipment to local service, you cannot categorically advise this Commission this morning that in fact there is such a cross-subsidization?

MR. HAWKINS: No, I think that would be correct.

MR. FINLAY: Thank you.

I take it that you do not have available to you this morning to assist this Commission any study data or other empirical material that would assist this Commission further with respect to your statement of cross-subsidization flowing from terminal equipment into the local service?

MR. HAWKINS: No, I do not.

Northern Telephone Limited addressed the question of possible impacts on revenues and costs at pages 13 of its written comments:

The Company has not attempted to quantify the impact which customer provided terminal attachments could have on the revenues, the costs and the rates of the Company.

and further on page 14:

Presently in the monopoly environment, optional services are provided by the Company at rates which are approved by the Commission. Significant revenues are earned from these services and in a competitive terminal attachment environment these revenues would be excluded in the determination of the allowed rate of return for the regulated Telephone Operations.

The Commission will realize that the Company receives only a terminal commission on long distance services and the Company's rates for local service do not benefit from a higher level of cross-subsidization from long distance service revenues. This situation could be compounded since higher rates for regulated services may be required to provide a reasonable rate of return on the regulated rate base if there is any lost contribution due to erosion of the Company's revenue in a competitive terminal attachment environment.

and further on page 14:

Costs such as capital expenditures, maintenance, administration, and other operating costs may decrease due to loss of market share while cost increases may result from a more complex operating environment, shorter life spans for terminal apparatus (higher depreciation accruals) and higher maintenance cost due to repair visits associated with customer provided terminal equipment.

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During the public hearing, Mr. Cooper of Northern Telephone Limited answered questions on this subject. At page 398 of the transcript the following exchange took place between Mr. Cooper and Mr. Finlay:

MR. FINLAY: I would like to bring you to page 13 of your submission. In particular that first paragraph and would you object again if I inserted the phrase "if any" at this point.

"the company has not attempted to quantify the impact (if any) which customer-provided terminal attachments could have on the revenues of the costs and the rates of the company."



MR. COOPER: I think that would be fair in view of what we don't know.

Mr. Zielinski, a witness called on behalf of the Director, addressed the question of revenue impacts. At page 20 and following of his prefiled evidence, Mr. Zielinski made the following comments:

MR. FINLAY: What was the experience of the New York Commission during your tenure with respect to the impact of terminal attachment on basic residential subscriber rates?

MR. ZIELINSKI: The Commission looked carefully at the argument that terminal equipment competition would result in increases in the rates for basic residential exchange service. This argument was based on two premises. Its first premise was, briefly, that telephone companies priced all terminal equipment – except the basic black telephone instrument itself – far above its cost. This supposedly enabled them to price basic residential service below cost and still generate sufficient revenues to cover their total costs. The second premise was that each piece of equipment a telephone company lost to competition would result in the loss of a “contribution” to basic service from interstate toll rates, because 20 percent of the costs of terminal equipment are recovered from interstate toll rates via a cost separation and revenue settlement process.

In two major rate cases involving the New York Telephone Company, during the summer and fall of 1975, the New York Commission staff presented a study of that company's terminal equipment offerings in the aggregate which demonstrated that revenues fell dramatically short of covering the company's embedded costs as of 1974-75 – by \$264 million before a partial rate award in August of 1975, and \$225 million before the commission's decision in November of that year – at a time when the company was claiming a need for \$390 million of additional revenues in total, preponderantly because of 1975 and anticipated 1976 increases in costs. The staff, it was conceded by all parties, used cost figures from the company's own books, and the very same methods – the same mark-ups above direct costs for maintenance, overhead and return – that the company itself regularly employed in justifying proposed individual tariff offerings to the Commission. The company had every opportunity to rebut the staff's evidence in these cases. A majority of the Commission found that it failed to do so.

Moreover, so far as the New York Commission could tell, the shortfall in terminal equipment revenues was being made up preponderantly by the allocation of 20 percent of its costs to interstate toll rates through the cost separations process.

and further on page 22:

MR. FINLAY: During your time with the New York Commission, did Rochester Tel ever claim in its general rate cases that one result of its own interconnection program was upward pressure on basic telephone service rates?

MR. ZIELINSKI: No such claim was made during my tenure and the Commission did not detect this kind of pressure in its own study of Rochester Tel. The rise in Rochester Tel's basic service rates since 1973, when the interconnect program started, have been roughly in line with the general inflation rate. Competition has not been the cause of increases in the rates for local residence service.

During the course of the hearing, Mr. Zielinski was asked several questions which related to applicability of American studies to the matter before the Commission in relation to the Ontario independent telephone industry. At page 228 of the transcript the following exchange took place between Mr. Rand, counsel to Northern Telephone Limited and Mr. Zielinski:

MR. RAND: In connection with the studies that you have done to date, would any of the studies have involved material from Canadian telephone companies, system companies?

MR. ZIELINSKI: The studies that are included in my testimony are ones that were performed by the New York Public Service Commission and had we included Canadian companies we would probably have been asked why we were wasting our resources to look at Canadian companies. No, we did not.

Further at pages 234 and 235:

MR. RAND: My question was quite specific and maybe I should make it more detailed so you will comprehend. I am wondering whether the kinds of conclusions that you reached in the studies you mentioned were reached by other studies prior to this era of interconnection.

MR. ZIELINSKI: Not to my knowledge but I thought your earlier question was whether attempts had been made at such studies or whether studies had been done, in fact were costing studies done albeit I am now aware that they reached a level of sophistication because of the difficulty of identifying costs that the studies in the 1970's reached. The studies in the 1970's were really an evolution of efforts occurring well before the era of competition.

Having regard to all the evidence the Commission is not persuaded that in total the provision of terminal equipment by telephone systems is so profitable that it provides significant subsidies to other service categories. The inability of the independent telephone industry to quantify the alleged contributions is a major factor in the Commission's determination. The evidence of Mr. Zielinski tended to support the proposition that the provision of terminal equipment was the recipient of a subsidy in studies performed in the State of New York. The Commission, however, cannot be satisfied that this is the case with respect to the telephone systems which it regulates. Mr. Zielinski's evidence related to American companies operating under different rate relationships and were performed after a measure of interconnection had been achieved. While the same results may be true in Ontario, there is no formal analysis before the Commission which deals with the matter in the Canadian context.

While the Commission has no formal analysis before it with respect to revenue cost impacts, and believes it is unlikely ever to have such analysis, it does have the interim experience. The Commission has received no information from telephone systems in response to its requests which suggest that significant revenue impairment has or will occur.

#### 4.3.2 Carrier Rates

In defining Issue 3, the Commission was principally concerned with rates from the point of view of whether or not carrier rates for other service categories would be significantly affected by the introduction of terminal interconnection. In the foregoing discussion, the Commission has had no evidence to date that a serious revenue impairment to carriers has occurred as a result of the interim experience. It follows therefore that no serious rate dislocations are likely to result in the other service categories. If the provision of terminal equipment has been a donor of a

subsidy to other service categories, it would appear that the subsidy has not been significant. Similarly, if the provision of terminal equipment has been a recipient of subsidy from other service categories, the subsidy has not been substantial.

While the Commission, on the basis of the evidence received does not expect that traditional rate relationships will be extensively altered by the introduction of customer provision of terminal equipment, it is aware that a new approach to the structure of the tariff for local rates will have to occur in order to provide the appropriate institutional arrangements for the offering of this service by the telephone systems and the interconnect suppliers. A competitive market, in the Commission's view, necessarily implies new rules and new tariff structures. The details of the Commission's position on these points will be set out later in these Reasons when terms and conditions of carriers participation and rate unbundling are discussed.

#### 4.4 ISSUE 4

##### THE EFFECT OF CUSTOMER PROVIDED TERMINAL ATTACHMENT ON TELECOMMUNICATION MANUFACTURERS AND SUPPLIERS.

In outlining this issue, and as a public policy determinant, the Commission must be concerned with whether or not its decisions are going to have severe adverse impacts in other areas of Ontario which would be deleterious to the Province of Ontario as a whole.

The Canadian Business Equipment Manufacturers Association addressed this question at pages 10 and 11 of its written comments. The Association stated:

CBEMA believes that the expanded use of equipment in Canada that will result from liberalized attachment and the new opportunity to sell directly to the end user of this equipment will provide an important and viable market for existing and for new manufacturers in Canada.

The variety of equipment required, the opportunity for innovative products, the advanced state of telecommunications facilities in Canada, and the expanding use of telecommunications services are all positive factors supporting the development, manufacturing and supply of attachment equipment in Canada.

A recent article in the Globe and Mail (Feb. 27, 1982) refers to 150 new telephone equipment interconnection companies competing for the Canadian market. This activity represents a substantial new business development which should contribute positively to the Canada economy, and to the needs of Canadians for customer owned terminal equipment.

There is little other information or argument before the Commission on this point. To the extent that this consideration should affect its decision, the Commission is satisfied that any impacts on Canadian manufacturers and suppliers are of such a magnitude that it should continue the fundamental decision to permit the customer provision of terminal equipment.



## 4.5 ISSUE 5

### THE TECHNICAL STANDARDS AND THE METHOD OF COMPLIANCE WHICH SHOULD APPLY TO CUSTOMER PROVIDED TERMINAL DEVICES

The question of standards is important to the disposition of the terminal interconnect question principally because faulty equipment connected to the network can cause some harm to the whole system. The provision of appropriate standards has been addressed by technical groups with substantial resources in both Canada and the United States. The Terminal Attachment Program Advisory Committee (TAPAC) of the Government of Canada, Department of Communications has systematically approached the question dealing with terminal equipment, category by category, developing appropriate certification for equipment so that its connection to network will not result in any harm. Also, the Federal Communications Commission of the United States has undertaken a similar program.

In its Interim Order No. 4188, the Commission made the following orders regarding standards for the connection of customer provided equipment by systems subject to its jurisdiction:

- 1.6.1 The customer provided terminal equipment and connecting device have received certification under the Government of Canada, Department of Communications, Terminal Attachment Program and/or have been certified to meet Part 68 of the Rules and Regulations of the Federal Communications Commission of the United States of America.
- 1.6.2 The customer terminal equipment is appropriately equipped to interface with the telephone system by means of (a) a connecting device compatible with the telephone system provided connecting device or (b) an acoustical or induction connection in which case condition 1.6.1 is not applicable.

On review of the record and in light of the comments received, the Commission has decided that these sections of Interim Order No. 4188 should be amended.

The specific details of standards which could adequately protect the network were never fully discussed before the Commission. Given the resources available to the industry and to the Commission, this is not surprising. The detail of what particular technical parameters is sufficient to protect the network is an area which the Commission believes neither it nor the systems which it regulates should be required to develop. The question which ought to be addressed is which of the available sets of standards should the Commission adopt and under what circumstances having regard to its own mandate. Even on this more limited question, the Commission did not receive comment in great quantity. Nevertheless, those who did address the question did so in thoughtful well reasoned manner.

Northern Telephone Limited at page 21 of its Final Argument, referred to CBEMA's views and made the following comments:

In its written submission dated April 30, 1982 on page 12 CBEMA stated,

"CBEMA urges the Commission to order the adoption of the standards which are approved by the C.R.T.C. for the federal regulated carriers in the terminal attachment decision expected soon from that agency."

The Company supports the Commission in giving consideration to areas in which it is practical to have consistency and supports CBEMA's positions as referred above.

The Company submits that the subject of technical standards is one where regulations must be consistent throughout Ontario and to the extent possible compatible throughout Canada.

The witness for CBEMA, Mr. Murray testified at page 17 of the transcript that:

I will take the single-most important example of course. If you can assume that attachment will be permitted it will be terribly costly, exceptionally burdensome to we as suppliers, if we had to face a number of different attachment standards across the country and I earnestly hope to avoid that.

The Canadian Business Equipment Manufacturers Association made similar comment at pages 14 and 15 of its final argument in the following terms:

CBEMA urged the Commission to order the adoption of the standards which are approved by the CFTC for the federally regulated carriers. We pointed out that a number of other agencies are accepting the DOC standards, and we believe this move towards a uniform program deserves the full support of the OTSC. (35)

Under questioning by Mr. McCallum, Mr. Murray, of CBEMA, pointed out that there are still differences of opinion on the DOC standards and that we hope that the CRTC final decision will resolve these disagreements satisfactorily. He stated: "Now, having said that, we still are optimistic that those standards can be made meaningful and practical and workable. Having said that, we say that those standards can be resulting in something that the industry feels is a good standards and we need only one standard across the country. We should not now be considering different standards in different jurisdictions." (36) We believe that all parties who commented were in agreement with this position.

The Director of Combines Investigation and Research expressed a similar view on pages 15 and 16 of his Final Argument:

The Commission has been presented with evidence in particular from CBEMA to the effect that as the attachment of subscriber owned equipment develops as a regulatory policy across Canada, the prospect of differing provincial technical standards becomes an increasing concern. The representative of CBEMA, Mr. Murray, went so far as to suggest that this Commission await and adopt the forthcoming decision of the Canadian Radio-television and Telecommunications Commission (CRTC) respecting this matter. It is significant in this regard that the Alberta Public Utilities Board has recently endorsed the concept of national technical standards for the purposes of attachment of subscriber owned terminal equipment. Furthermore, it is noteworthy that as a constitutional matter there is little doubt that the CRTC has jurisdiction over technical standards that apply to all equipment attached to the Trans Canada Telephone Network.

In the Director's submission, the Ontario Telephone Service Commission should in its final decision rule that as a matter of policy national standards will apply to the attachment of terminal equipment to the telephone systems within the Commission's jurisdiction. It is also submitted that in the event that the Commission decides in favour of a liberalized terminal attachment policy, that the Commission adopt the CRTC standards and approved equipment in place at the time of the decision.

The Commission is convinced that the adoption of technical standards which will to the greater degree possible be consistent with those in force in other parts of the Province of Ontario is in the public interest. The Public Utilities Commission of Prince Edward Island also was required to address the question of appropriate standards for the connection of customer provided terminal equipment to network of the telephone systems subject to



its jurisdiction. It would appear that that Commission found itself in a similar situation to that of this Commission. At page 21 of its Order No. T.83.05.03, the Commission stated:

There was a consensus at the hearing that the FCC Standards are designed primarily to guard against damage or harm to the network, while CS-03, in addition to protection to the network, provides for a minimum level of quality of service involving the called and calling parties.

The Commission is inclined to agree that it is essential to have a standard that is uniform throughout the country. On 23 November 1982, the Canadian Radio-television and Telecommunication Commission ("CRTC") issued Telecom Decision No. 82-14 in which the CRTC made the finding that Certification Standard CS-03 was appropriate for use by certain carriers under its jurisdiction. CS-03 thus appears to be well on the way of becoming the accepted Canadian standard. Having considered this matter, the Commission as well believes that DOC Certification standard CS-03 is the most suitable standard for adoption by ITELCO. We accordingly make the finding that the proposed regulation is appropriate.

Bell Canada provides by far the greatest preponderance of telephone services in the Province of Ontario. Attachment of customer provided terminal equipment to Bell Canada's network is governed by the final decision of Canadian Radio-television and Telecommunications Commission. The Canadian Radio-television and Telecommunications Commission rendered its final decision on this matter in CRTC Telecom Decision 1982-14 on November 23, 1982. At pages 60 and 61 of that decision, the CRTC made the following determination:

The Commission is of the view that all terminal equipment to be attached to the facilities of the federally regulated carriers should be subject to a single technical standard and that the appropriate standard is CS-03. The Commission has not been convinced that, in comparison with FCC Part 68, the performance standards included in CS-03 give rise to any significant differences. Moreover, the Commission is confident that, in its ongoing work, TAPAC will modify CS-03 where necessary to meet new requirements and changing circumstances. Consequently, subject to the phasing-in periods hereinafter set out, only terminal equipment which meets the equipment and installation requirements of the current issue of Certification Standard CS-03 approved by TAPAC may be attached to the carriers' networks.

The Ontario Telephone Service Commission accepts as a matter of principle that a uniformity of certification is desirable. The Commission is also pleased that Canadian certification which meets the requirements of the federal regulator is available through the Terminal Attachment Program of the Government of Canada. The Commission is therefore prepared to modify its requirements as set out in the Interim Order No. 4188 and for the present permit only the attachment of terminal equipment which is certified under this Program as it may be amended and/or extended from time to time through such publications as CS-03.

Any terminal device which has been attached pursuant to Interim Order No. 4188 is hereby approved for continued connection so long as such equipment may remain in use.

#### 4.6 ISSUE 6

##### THE RULES GOVERNING THE PARTICIPATION OF A TELEPHONE SYSTEM OR SUBSIDIARY OF A TELEPHONE SYSTEM IN THE MARKET FOR THE PROVISION OF CUSTOMER PROVIDED TERMINAL DEVICES

Significant public policy questions arise with respect to the participation of carriers in the provision of customer provided terminal devices. The origin of these questions is

quite simple to define. The concerns are that the telephone systems have a significant advantage in the competitive market. Customers have dealt virtually exclusively with the telephone systems; telephone systems have access to customers profiles through their records which interconnect companies do not have; telephone systems control network access; telephone systems can influence rate relationships.

The fear is often expressed that telephone systems will use the advantages which they have to unfairly compete with other providers of terminal devices. The Commission considers that participation of the telephone systems in the market for customer provided terminal equipment should be subject to rules to ensure that telephone systems do not unfairly compete. A number of potential difficulties and solutions are discussed in the extensive literature, both Canadian and American, related to these problems. Most of the principal ones are either discussed or alluded to in the material which has been submitted to the Commission as a result of the current proceeding.

It remains then to outline the terms and conditions which should apply to telephone systems in participating in the market for the provision of customer provided terminal equipment.

#### 4.6.1 **Separate Subsidiaries**

The position has been advanced that telephone systems should only be permitted to compete through "arms length" subsidiaries to ensure that they compete on an equal footing with other suppliers.

The Director of Combines Investigation and Research at pages 18 and 19 of his Final Argument, favoured a separate subsidiary:

It is submitted that under a deregulated scenario, a separate subsidiary is the best mechanism to ensure that cross-subsidization of competitive activities from monopoly revenues does not occur to the detriment of subscribers and competitors. However, the Commission should retain overall regulatory authority to adjudicate complaints.

The regulated carriers have argued that the costs of establishing a separate subsidiary exceed the benefits. The Director submits that there is no evidence of this on the record.

Accordingly, the Director submits that as a threshold requirement any carriers wishing to engage in the sale of equipment on a "deregulated" basis should be required to do so through a separate subsidiary. However, in the event that any carrier is able to come before the Commission and conclusively demonstrate that the cost of establishing a separate subsidiary exceeds the benefits, then the Commission may wish to consider withdrawing for that particular carrier, the separate subsidiary requirement.

With respect to the alternative of separation through appropriate costing techniques, the Director commented at page 20 of his Final Argument on the lack of proposals:

...none of the carriers have offered in the course of this hearing examples of the type of cost allocation procedures they have in mind. The Director submits that the emphasis must be upon the telephone company's ability to present the Commission with a cost separation procedure which will afford the effective policing of the company's terminal equipment activities by the Commission. A fully distributed cost allocation methodology is the only type of costing methodology which would permit the Commission to come to terms with the problem of cross-subsidy, although in the Director's view this is a second best solution compared to separate subsidiaries.

The Canadian Business Equipment Manufacturers Association also appears to favour a separate subsidiary. At page 16 of its final argument, CBEMA made the following comment:

CBEMA believes that accounting and allocation techniques to account for and allocate costs and revenues to the competitive and non-competitive sectors of a carrier's operations are most important. We recognize that this is not a simple procedure, as illustrated by the CRTC Cost Inquiry which has been ongoing for many years. However, we look to valuable guidance from the current phase of the CRTC's Cost Inquiry. Furthermore, we believe as stated in our submission, that as essential as accounting controls are, they should be supported with structural separation to prevent cross-subsidies. Such structural separation alleviates the accounting problem by creating an easily recognizable boundary across which transactions can be recorded, and reduces the number of shared activities for which expenses must be allocated between sectors.

The Ontario Telephone Association at pages 2 and 3 of its Final Argument advocated the use of accounting separations rather than the separate subsidiary approach. The OTA stated:

Throughout the hearings we heard much about the necessity of being certain that the regulated areas of our future business not subsidize the non regulated terminal area. The position of the Association is that the Uniform System of Accounts, as proposed by the Commission, can be modified to ensure proper separation of revenues and costs. The Association does not feel that it is necessary to separate the non regulated portion of the business by the formation of subsidiary companies. In fact should such rulings be made the municipal and public utility systems would be prohibited from competing in the market place. We understand the concern of others that no unfair cross subsidization should occur, but we also want to be able to compete in the market place without having our hands tied by unnecessary controls.

Northern Telephone Limited at page 18 of its written submission, also stated the company's preference for accounting separations:

...the competitive terminal attachment activity of the Company would be conducted from within the existing corporate structure, separated from the regulated Telephone Operations by the creation of the accounting and costing procedures necessary to show that unregulated services in total are not being subsidized by monopoly subscribers. No other Commission rules governing the Company's activities in a competitive environment are necessary.

Mr. Zielinski provided testimony both in his prefiled evidence and during the public hearing concerning this question. At pages 257 and 258 of the transcript, the following exchange took place between Mr. Zielinski and Mr. Stevens of the OTA:

MR. STEVENS: One other area and that is regarding cost separation from the regulated and non-regulated sectors of a company's operation. You mention in your paper that you didn't see the necessity of setting up subsidiary companies to do that. Can you elaborate on that from your experience?

MR. ZIELINSKI: What I say in my paper that the judgement of whether one should or should not require a subsidiary should be done on the weighing of costs and benefits associated with it. As a general proposition, the smaller companies, yes. The less likelihood that the benefits associated with a separate subsidiary will outweigh its costs. One can argue.



That is because the smaller the company is the more likely it is that the regulatory commission can properly police that company without the need for a separate subsidiary. The company is small enough so that the regulatory commission can scrutinize its operations pretty closely. The larger a company gets the more difficult it gets for the regulator. If a particular analysis varies with the regulatory commission involved. If you have available to you a regulator with a fairly large staff obviously your ability to police those transactions is greater than if you had a relatively small staff.

So those factors it seems to be all have to be weighed in the balance in determining where you will apply separate subsidiary requirement and where you don't.

Having considered the evidence and argument before it, the Commission has decided that it ought not to require the telephone systems to compete in the terminal attachment market through a separate subsidiary. The Commission is doubtful that the development of a separate subsidiary is of legal availability to some systems. Also the Commission agrees with Mr. Zielinski that the requirement for a separate subsidiary might be an undue burden on small telephone systems. The Commission also believes that the value of a separate subsidiary may be more apparent than real. When there is a requirement that a separate subsidiary exist, the Commission would still be obliged to monitor transactions across the corporate interface to ensure that no cross-subsidization occurred between parent and subsidiary.

The Commission believes that appropriate accounting separations are a more practical means of delineation of the two lines of business. The Commission, however, has taken note of the Director's comments that as yet no proposal is before the Commission which outlines a costing methodology to satisfy regulatory needs. The Director's comment that cost separations should be on a fully distributed basis is theoretically sound but vague in the operational sense. Mr. Cooper's assurance at page 359 of the transcript that Northern Telephone Limited is "confident that we can continue to provide the Commission with adequate data to separate competitive and non-competitive services" was not supported by any quantitative analysis.

When a telephone system is engaged in the sale of terminal equipment, the Commission will require that the costing of the equipment be in detail sufficient to demonstrate to this Commission that there is absolutely no burden upon the system's customers as a result of sales of terminal equipment activity. In order to demonstrate this to the Commission's satisfaction, telephone systems are required to justify the method used to allocate indirect costs and fixed common costs in the sale of terminal equipment. Although the Commission is not prepared at this time to establish a methodology for use by all of the thirty-one telephone systems, the Commission requires the systems, either individually or collectively, to make proposals outlining their intentions for the costing of the sale of terminal equipment.

#### 4.6.2 **Sale of Terminal Equipment**

The Commission believes that telephone systems subject to its jurisdiction should be permitted to sell new equipment in like manner as other suppliers of terminal devices. The Commission, as will be discussed more fully in Issue 7, does not believe the sale price of such equipment is a "rate" within the meaning of section 1 of The Telephone Act and therefore is not subject to rate approval. Maintenance contracts associated with the sale of new equipment similarly are not considered by the Commission to fall within the definition of "rate" and does not

require approval pursuant to section 105. The Commission expects that costs and revenues associated with sale of new equipment and associated maintenance contracts will be reported as revenues and costs separate from all other revenues and costs in accordance with the Uniform System of Accounts as it may be amended from time to time.

#### 4.6.3 Financial Leases

The Commission is aware that much financing for the acquisition of major capital acquisitions is done through financial leases. The financial lease, in the Commission's view, is equivalent of a sale. The Commission therefore is of the opinion that a financial lease entered into between a customer and a telephone system is not a transaction which falls within the definition of "rate" in section 1 of The Telephone Act and is not subject to approval pursuant to section 105 of The Telephone Act. Similarly maintenance contracts associated with financial leases are not to be subject to approval pursuant to section 105.

The definition of a financial lease is one which is open to interpretation. The Commission accepts the Canadian Institute of Chartered Accountants (CICA) definitions as the basic evidence for the existence of what we have termed here to be a financial lease. At section 3065.03 of CICA Handbook, the following definitions are found:

- (a) Capital lease is a lease that, from the point of view of the lessee, transfers substantially all the benefits and risks incident to ownership of property to the lessee.
- (b) Sales-type lease is a lease that, from the point of view of the lessor, transfers substantially all the benefits and risks incident to ownership of property to the lessee and, at the inception of the lease, the fair value of the leased property is greater or less than its carrying amount, thus giving rise to a profit or loss to the lessor (usually a manufacturer or dealer).
- (c) Direct financing lease is a lease that, from the point of view of the lessor, transfers substantially all the benefits and risks incident to ownership of property to the lessee and, at the inception of the lease, the fair value of leased property is the same as its carrying amount to the lessor (usually not a manufacturer or dealer). A lease would not be precluded from being classified as a direct financing lease after it is renewed or extended even though the carrying amount of the property at the end of the original lease term is different from its fair value at that date.

And further section 3065.06 of CICA Handbook specifies the following conditions as the indicia of a capital lease:

From the point of view of a lessee, a lease would normally transfer substantially all of the benefits and risks of ownership to the lessee when, at the inception of the lease, one or more of the following conditions are present:

- (a) There is reasonable assurance that the lessee will obtain ownership of the leased property by the end of the lease term. Reasonable assurance that the lessee will obtain ownership of the leased property would be present when the terms of the lease would result in ownership being transferred to the lessee by the end of the lease term or when the lease provides for a bargain purchase option.



- (b) The lease term is of such a duration that the lessee will receive substantially all of the economic benefits expected to be derived from the use of the leased property over its life span. Although the lease term may not be equal to the economic life of the leased property in terms of years, the lessee would normally be expected to receive substantially all of the economic benefits to be derived from the leased property when the lease term is equal to a major portion (usually 75% or more) of the economic life of the leased property. This is due to the fact that new equipment, reflecting later technology and in prime condition, may be assumed to be more efficient than old equipment which has been subject to obsolescence and wear.
- (c) The lessor would be assured of recovering the investment in the leased property and of earning a return on the investment as a result of the lease agreement. This condition would exist if the present value, at the beginning of the lease term, of the minimum lease payments, excluding any portion thereof relating to executory costs, is equal to substantially all (usually 90% or more) of the fair value of the leased property at the inception of the lease.

The Commission views leases which conform with section 3065.03 as stated above to be financial leases for the purpose of this Order.

In this regard it is useful to refer to a number of applications for Tier A and Tier B rate stability pricing in respect of rental charges and maintenance charges for terminal equipment. Where Tier A is a financial lease and Tier B is an associated maintenance fee, the Commission believes such applications are unnecessary as they do not fall within the purview of section 105. As will be discussed later under Issue 7, applications for Tier A and Tier B rate stability pricing may be appropriate when the transaction is not equivalent to a sale and do not meet any of the three financial criteria.

The Commission therefore expects that transactions in the nature of financial leases and associated maintenance contracts will be accounted for in the same manner as sales of new equipment.

#### 4.6.6 Sale of In-Place Equipment

In a competitive environment, where a customer has the intention of owning the telephone equipment on his premises the telephone system faces two alternatives. The telephone system may either sell the equipment currently on the customer's premise provided by the system on a monthly rental basis or alternatively, remove the equipment from the premise thereby allowing the customer to provide his own equipment for connection to the telephone system network. Given the two alternatives, the Commission believes it to be inevitable that systems will prefer to sell the in-place equipment to the customer and believes it to be in the public interest that the telephone systems be permitted to sell in-place equipment.

If the sale price of the equipment is based solely on the principle of market value the telephone system will be in an advantageous position relative to its competitors. Therefore, the Commission finds that a telephone system may sell in-place telephone equipment and should attempt to ensure that the sale price is not less than all costs related to the sale plus the undepreciated capital cost of the asset.

Each system must keep a separate record of proceeds received from the sale of in-place equipment. The Commission will determine the proper regulatory treatment of these transactions after reviewing experience and the cost separation plans.

#### 4.6.5 Rentals or Other Leases

Rentals or other leases which do not come within the term "Financial Lease" which the Commission has described in this decision, the Commission believes fall within the definition of "rate" in section 1 of The Telephone Act and consequently must be approved in accordance with section 105. Similarly maintenance charges associated with such equipment, to the extent that they are not included in a flat rate, must also be approved in accordance with section 105.

The Commission does not expect such revenues to be recorded separately as in the case of the sale of new equipment or financial lease arrangements.

#### 4.6.6 Other Considerations

In this section, the Commission has set out, with as great a precision as it can, the terms and conditions which it expects the telephone systems subject to its jurisdiction to adhere to in competing in the terminal equipment market. The Commission believes it has a duty to continue to monitor the telephone systems' activities to ensure that these terms and conditions continue to be fair and are uniformly applied.

### 4.7 ISSUE 7

THE NATURE AND EXTENT OF THE COMMISSION'S JURISDICTION TO MAKE ORDERS DEALING WITH CUSTOMER PROVIDED TERMINAL ATTACHMENT PARTICULARLY WITH RESPECT TO THE CURRENT TARIFFS OF THE TELEPHONE SYSTEMS UNDER COMMISSION JURISDICTION AND OTHER QUESTIONS OF LAW.

The Commission requested that interested parties address certain legal questions in relation to its jurisdiction to permit customer provided terminal equipment to be attached to the telephone systems subject to its jurisdiction. The Commission is grateful to those who made comment.

Throughout earlier portions of these Reasons, the Commission has made comment which imply a legal determination of some of the questions involved in this issue. Nevertheless, the Commission wishes to provide in further detail the legal rationale for its decision.

#### 4.7.1 Regulation and Deregulation

In much of the material filed and throughout the hearing, many parties addressed the provision of customer provided terminal equipment in a competitive market as deregulation of this portion of the business. The Commission, in these Reasons, has avoided using the term deregulation. Deregulation implies the total removal of regulatory scrutiny from some aspect of an industry which was formerly regulated. The Commission's intention in promulgating its General Order is to permit customers to provide their own terminal equipment pursuant to section 91 of The Telephone Act. The Commission has also determined that telephone systems ought to participate in this market on a competitive basis to the extent that the law will permit them to do so. While this decision implies the removal of many aspects of rate regulations it does not imply the complete removal of regulatory scrutiny of the telephone systems activities in this area. The Commission's intention is that telephone systems compete without the necessity of rate approvals; however, it is also the Commission's intention that the systems should compete in a fair manner through a structure of accounting separations which will remain the subject of regulatory scrutiny.

The Commission therefore believes that although less regulation is required with respect to rate approvals, sufficient regulatory involvement remains that the term "deregulation" is misleading.

In the remainder of this section, the Commission will set out its views on the legal framework within which it believes the attachment of customer provided terminal equipment must take place.

#### 4.7.2 **The Obligation to Serve**

Telephone systems subject to Commission jurisdiction are under a general legal obligation to provide service in accordance with section 89(1) of The Telephone Act. This section reads as follows:

Every telephone system shall furnish continuous telephone service that adequately and efficiently meets the needs of the public in the territory in which it operates.

This section of The Telephone Act requires that a telephone system furnish telephone service in the territory in which it operates. The Commission has no jurisdiction to relieve telephone systems of this general obligation.

The Commission has been given full jurisdiction to ensure that telephone systems provide service to the public in accordance with the intent of section 89(1). The Commission has jurisdiction under section 90 to require that a telephone system provide facilities. This section reads as follows:

The Commission may make such orders for the construction and maintenance of a plant as it from time to time considers necessary in order to ensure adequate and efficient telephone service to the public and for the protection of life and property.

It is in the context of section 89(1) and section 90 that section 91 must be read.

The current proceeding addresses the Commission's jurisdiction to relieve telephone systems of the obligation of owning all the plant which is used in connection with the provision of service. Section 91 of The Telephone Act grants to the Commission a permissive jurisdiction to allow parties other than telephone systems to own such equipment. This section reads as follows:

Every telephone system shall own and maintain all equipment, except run-off poles on private property, operated in connection with the system, unless otherwise consented to by the Commission.

It is in the general context of the obligation to serve contained in section 89(1) of the Act that the Commission must determine the extent of its jurisdiction under section 91 in the first instance.

It is the Commission's view that section 89(1) confers a right on the public to receive continuous telephone service from a telephone system within the terms of that section. A telephone system must therefore be in position to provide the service described in section 89(1) whether or not a customer chooses to provide his own terminal equipment in accordance with a General Order of the Commission made pursuant to section 91. Where a telephone system fails to provide such service in accordance with section 89(1), the Commission has jurisdiction to order such provision pursuant to section 90. In practical terms, it is the Commission's view that telephone systems subject to its jurisdiction must continue to provide service to those customers who wish it according to the traditional rules set out in The Telephone Act and in accordance with the Orders of the Commission. This General Order permitting customer provision of terminal equipment, in no way diminishes the responsibility of a telephone system to provide service including terminal equipment.



#### 4.7.3 The Ability to Compete

At page 382 of the transcript, Commission counsel identified several aspects of the legal ability of telephone systems to compete in the provision of terminal equipment with other suppliers and requested parties to address the issue in their arguments. Counsel's request at page 382 was as follows:

MR. McCALLUM: Madam Chairman, if I may this morning I would like to refer to pages 353 and following of yesterday's transcript where Mr. Rand and Mr. Cooper were discussing the extent of the Commission's jurisdiction to make orders under the provisions of The Telephone Act affecting the ability of the Commission to permit telephone companies under its jurisdiction to compete on an unregulated basis.

It is my view, Madam Chairman, that this is a very important issue and one which the Commission would be greatly assisted in by as full an argument on the matter as possible and it would be my suggestion, Madam Chairman, that the Commission request parties to the extent of their ability to address in their final argument in this matter that very question, that is, having regard to Sections 105 and 06 of The Telephone Act together with any other applicable sections, whether or not telephone companies subject to this Commission's jurisdiction can compete on an unregulated basis in the leasing of terminal devices, the sale of terminal devices, the sale in place of terminal devices and the provision of inside wiring.

At page 383 of the transcript, the Chairman accepted counsel's suggestion. Few parties provided the Commission with extensive argument on this point. Therefore the Commission has had to rely primarily on its own analysis in arriving at a determination of these difficult questions.

Earlier in these Reasons, the Commission has determined that it will not permit generally customer ownership of inside wiring at this time. Therefore the question for determination is: can telephone systems subject to the Commission's jurisdiction compete in the market for the provision of customer provided terminal equipment:

- a) through the sale of equipment,
- b) through the sale of in-place equipment,
- c) through the leasing of equipment?

##### a) **Sale of Equipment**

Essentially the question is: may a telephone system sell equipment for connection to its network? The Telephone Act contains no provision which would prohibit a telephone system from participating in any other business. There is no exclusivity of solely telephone exchange service assigned to the telephone systems. Therefore, it is the Commission's view that a telephone system may lawfully sell equipment for connection to the network of its system subject only to other provisions of The Telephone Act.

The more critical question with regard to the sale of equipment by a telephone system is whether or not such a transaction is subject to the terms of section 105(1) of The Telephone Act. This section reads as follows:

Every telephone system shall file with the Commission its tariff of rates and tolls in such form and containing such particulars as the Commission requires and no system or municipality shall charge or levy any rate or toll that has not been filed with and approved by the Commission.



The Commission must determine whether or not the sale price of equipment is a rate or toll which must be filed and approved by the Commission pursuant to section 105(1).

These two terms, "rate" and "toll", are defined in section 1 of the Act as follows:

(g) "rate" means any rental or charge for supplying telephone exchange service and all services associated therewith;

and

(j) "toll" means any charge, other than a rate, for the transmission of telephone messages.

The term rate contains two elements:

- supplying telephone exchange service for a rental or charge
- services associated with supplying telephone exchange service for a rental or charge.

The Commission is satisfied that the sale of equipment is not a part of the first element of the term rate. Telephone exchange service in the Commission's view should be given the meaning implied by the plain understanding of the words. It is the Commission's view that telephone exchange service is merely providing access to the telephone exchange.

Nor in the Commission's view can the sale of equipment be equated with a service associated with the provision of telephone exchange service. The sale of telephone equipment was distinguished from services by CNCP. At page 5 of its final argument CNCP stated:

If a telephone company rents or leases inside wiring or terminal devices the charges are clearly charges for a "service" associated with the supply of telephone exchange services. As such, they must be approved by the Commission. On the other hand, the sale of goods or property is not a "service" within any accepted definition of that term. As only charges for "services" fall within the ambit of the Telephone Act, it follows that the sale price of in place terminals and inside wiring does not require regulatory approval.

The Commission is persuaded by CNCP's analysis and is of the view that it was not the Legislature's intention that the sale price of any article be the subject of rate approval.

b) **Sale of In-Place Equipment**

The Commission adopts the same view of the sale of in-place equipment as it does of the sale of new equipment. Since there is no prohibition a system may lawfully sell in-place equipment in accordance with the terms of this Order.

c) **Lease or Rental**

Except where a lease is a sale equivalent, the Commission is of the view that rental rate or charge is a rate within the meaning of The Telephone Act and accordingly must be approved pursuant to section 105(1) of the Act. Earlier in these Reasons, the Commission has defined what it considers to be sale equivalents by reference to the CICA Handbook definitions (section 3065.03).

#### 4.7.4 Other Questions of Law

Several of the arguments filed on behalf of the telephone industry raised questions of law which are not directly related to the Commission's jurisdiction. The Ontario Telephone Association raised the question of the Gross Receipts Tax and the Retail Sales Tax at page 3 of its final argument in the following passage:

As stated in our evidence and presentation the Association is of the opinion that changes will have to be made in the Municipal Act and the Municipal Tax Act to exclude from Gross Receipts those revenues which will be realized from the unregulated terminal device market. In addition the Retail Sales Tax will have to be examined to ensure that we are able to compete fairly with the inter-connect companies without having the burden of certain sales taxes which they are not required to collect or pay.

The Commission is of the view that these are important matters for consideration. The Commission, however, does not have the jurisdiction to deal with certain questions which are raised by the Association. As several Acts of the Ontario Legislative so mentioned are beyond the Commission's mandate, the Commission would suggest that the Ontario Telephone Association bring these matters to the attention of the appropriate Ministries of the Crown, so that whatever action is deemed necessary, may be taken.

### 5.0

#### RATE UNBUNDLING

IF CUSTOMERS ARE OFFERED THE OPPORTUNITY TO PROVIDE EITHER OR BOTH THE PRIMARY TELEPHONE SET AND INSIDE WIRING, HOW SHOULD THE MONTHLY FLAT RATE BE UNBUNDLED TO REFLECT THE DIFFERENT COMPONENTS SUCH AS ACCESS CHARGE, TERMINAL SET CHARGE AND/OR INSIDE WIRING CHARGE? (MAY 13, 1983 NOTICE)

It should be noted that in section 4.1.2 of this Order the Commission has rejected the proposal to permit customers to provide and own inside wiring.

The Commission's decision regarding the attachment of customer provided terminal equipment to systems subject to its jurisdiction requires that it deal with several aspects of rate unbundling and associated tariff matters. Telephone systems were specifically asked to address this issue in Interim Order No. 4188 and in the Commission's Notice of May 13, 1983. While a new regime has to a certain extent been instituted as a consequence of its Order, the Commission considers that tariff modifications necessary to implement its Order need not necessarily represent a drastic departure from the traditional approach to telephone rate making and regulation. The Commission in this Order has permitted customers to provide their own terminal equipment if they wish to do so. The associated rate structure modifications must reflect this departure from the historic manner in which telephone service has been provided.

Rate structure modifications however, need not and indeed should not go further than is necessary to implement this Order.

The Commission has clearly stated that a telephone system *must* provide all facilities necessary to attach customer equipment including the inside wiring and the connecting device. The telephone system must also provide the terminal equipment in accordance with section 89(1) of The Telephone Act if the customer chooses to have a telephone system do so. A customer may provide his own terminal equipment and relieve the system of its obligation. The institutional arrangements are not complex and the tariff structure modifications ought not to be complex either. The basic result to be achieved is that where a customer has provided his own terminal equipment, he should not be charged that rate. The customer similarly in providing his own equipment must compensate the telephone system for costs which it incurs in dealing with troubles caused by the connection of such equipment.

In analyzing the rate unbundling issue, the Commission has dealt with four distinct tariff areas. These are:

1. Network connection – the installation of all facilities necessary to accommodate customer provided terminal equipment.
2. Network Access Charge – the continuing monthly rate associated with access to the network.
3. Terminal Equipment Rental Charges – the rate for the provision by the system of items of terminal equipment.
4. Service Charges – charges assessable where cost is incurred by the telephone system because of the connection of customer provided terminal equipment.

These four categories are in the Commission's view sufficient to provide an analytical framework for the adjustment necessary for the accommodation of the provision of customer provided terminal equipment.

#### 5.1 Network Connection

The Commission's Order does not significantly alter the work function which a telephone system must perform to provide for the connection of terminal equipment to the network of the system. The telephone system in the ordinary course on installation performs this function and charges an installation fee. Unless and until the Commission receives information to the contrary, it can see no rationale for disturbing current installation charges. So far as the service performed for connection to the network is concerned, it is immaterial whether the equipment being provided is the property of the telephone system or the property of the customer.

Accordingly, the Commission will not at this time order any change to the network connection or installation charges currently charged pursuant to tariffs filed with the Commission. The Commission, however, would encourage all systems to utilize the Multi Element Service Charge (MESC) methodology. If it can be demonstrated that current installation charges are in anyway unfair either to the telephone system or to the customer, the Commission will review such material and if it deems it to be in the public interest adjust rates for network connection accordingly.

#### 5.2 Network Access Charge

Historically, the network access charge or the monthly rate has included a charge for a basic telephone set. Where optional or vertical services were provided such as premium telephone sets or PBX equipment, these rates have been separately calculated and filed with the Commission. In effect premium telephone sets and business systems such as PBX equipment have been unbundled since their inception. What remains to be unbundled is that portion of the monthly rental charge attributable to the network access charge where a customer provides his own terminal equipment whether it is of a basic or premium type.

Northern Telephone Limited, in its response to the May 13, 1983 Notice, set out conceptually the basis for the simple calculation of the two elements of the charge. At page 3 of the response, Northern Telephone set out the following equation:

##### **PRIMARY TELEPHONE SET ONLY CUSTOMER PROVIDED:**

	Basic Exchange Service
Less:	<b>Telephone Set</b>
Equals:	<b>Access Charge</b> (including inside wiring)

The Commission is of the view that Northern Telephone's simple equation is a most rational approach to the unbundling of local service rates.



Thunder Bay views rate unbundling in a similar fashion and has attempted to quantify the rates which would result. At pages 3 and 4 of its response to the Notice of May 13, 1983 Thunder Bay made the following statements and put forward specific calculations.

An example of an unbundled rate for Thunder Bay Telecommunications' customers is as follows:

**Monthly Residential Rate (at current rates)**

Access Charge	-	\$ 4.05
Telephone Set	-	<u>.95</u>
Individual Resident's Total	-	<u>\$ 5.00</u>

**Monthly Business Rate**

Access Charge	-	\$ 9.70
Telephone Set	-	<u>.95</u>
Total Business Monthly Rate	-	<u>\$10.65</u>

Thunder Bay postulates that the value of the basic terminal equipment of the flat rate is 95¢. The Commission has not been provided with cost material which would justify this specific amount. However, the Commission is of the view that such an amount appears to be a reasonable amount at this time.

The Bruce Municipal Telephone System also put forward comments on rate unbundling in response to the May 13, 1983 Notice as follows:

**2.a) Rate Unbundling**

The inside wiring should be donated to the existing customers at no cost and the rate base carry the investment until it has been depreciated.

- b) In place telephone sets would be offered to the existing customers at a nominal fee.
- c) The unbundled rate would then be the access charge which would be the existing exchange rate reduced by the cost of supplying the primary set (.80¢ to \$1.00/month).

The Commission has previously given its reasons for requiring telephone systems to provide their inside wiring and set out guidelines for the sale of in-place equipment. The Commission notes that Bruce Municipal Telephone System would assign an amount for the equipment rental portion of the rate which is consistent with that proposed by Thunder Bay.

The Commission considers that the network access charge portion of the monthly residential and business rate should be calculated by reducing the applicable monthly flat rate by the amount of 95¢.

**5.3 Basic Telephone Set Rate**

Where a customer chooses to take the basic telephone service from a telephone system the monthly rate for the basic telephone set will be 95¢.



5.4 **Premium Telephone Set Rate**

Currently filed tariffs for premium telephone sets are based on a monthly flat rate. The Commission is aware that after rate unbundling, the premium telephone set rate will be an increment to the network access charge. The Commission, however, in this Order, does not intend to directly adjust the rates for premium telephone sets. Systems wishing to increase premium telephone set rates should apply to do so prior to issuing unbundled rates.

The Commission has taken this approach with respect to premium telephone sets because it believes that telephone systems will have to review premium telephone set rate relationships during the course of rate unbundling in the context of a competitive market for these sets.

5.5 **Service Charge**

The Commission is of the view that customers providing their own terminal equipment must bear any increased costs that the telephone systems incur as a result of the connection of the customers' equipment. Where a customer occasions a trouble visit because of faulty equipment or illegally connected equipment the cost of such a visit should be borne by that customer and not the general body of customers.

The Commission therefore invites telephone systems to file with the Commission tariffs for customer premise visits which are caused through no fault of the telephone system but are related to customer provided terminal equipment. Such tariff should be cost related and contain no punitive or deterrent element.



Chairman.

ONTARIO TELEPHONE SERVICE COMMISSION

ORDER NO. 4304

Tuesday, the 20th day of December, A.D. 1983

BEFORE

V.W. Bielski, Q.C.,	)	IN THE MATTER of sections 6(1),
Chairman,	)	12 and 105 of The Telephone Act,
	)	(R.S.O. 1980, c.496),
D. A. Austin,	)	
Member, and	)	and
	)	
G. Klosler,	)	IN THE MATTER of an application
Member.	)	by Northern Telephone Limited for
	)	approval of a change in rates for
	)	local telephone service.

HEARD AT:

Timmins – October 17, 1983;  
Iroquois Falls – October 18, 1983;  
New Liskeard October 19, 1983;  
Toronto November 24, 25, 1983.

APPEARANCES:

For: Northern Telephone  
Company, Limited,

- M.W. Cooper, President and  
Chief Executive Officer;
- E. Whitby, Corporate Accounting  
and Regulatory Matters;
- M. Baker, Business Office  
Manager, New Liskeard;
- M. Slywchuk, Business Office  
Manager, Timmins;
- D.B. Sirola, Director  
Engineering and Planning;
- M.C. Rand, Counsel.

For: North Eastern Ontario  
Municipal Association,

- E.R. White, Chairman.

For: Town of Iroquois Falls

- L. Cutten, Mayor;
- R. Flageole, Councillor;
- J. Buchan, Clerk.

**APPEARANCES, cont.**

- |   |   |
|---|---|
| For: Iroquois Falls Chamber<br>of Commerce,       | - P. De La Plante.  |
| For: Temiskaming<br>Federation of<br>Agriculture, | - D. Ramsay, President.                                       |
| For: City of Timmins,                             | - D. Welin, Alderman;<br>- F.P. Krznaric, Alderman.           |
| Individual Appearances,                           | - V. Trembly;<br>- W. Layte;<br>- L. Montreuil;<br>- R. Ptok. |

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## 1.0 ORDER

UPON THE APPLICATION of Northern Telephone Limited (NTL), hereinafter referred to as the Applicant, for approval of an increase in local service rates, and upon reading the said Application and other material filed, and upon evidence presented during the hearing,

- 1.1 THE COMMISSION HEREBY AUTHORIZES, under and in pursuance of sections 6(1), 12, 90 and 105 of The Telephone Act, (R.S.O. 1980, c.496), the Applicant to increase local service rates to generate additional annual revenues of \$381,000.
- 1.2 THE COMMISSION DENIES any increase in business or residence multi-party rates.
- 1.3 THE COMMISSION ORDERS that the Applicant prepare and submit to the Commission for a revised rate structure which will generate total additional local service revenues of \$381,000 annually based upon the estimated average revenue producing units in service during 1984, as shown in NTL JUL 83, Exhibit 1.
- 1.4 THE COMMISSION FURTHER ORDERS that the proposed rate structure be filed in alpha-numeric order by USOC code.
- 1.5 THE COMMISSION FURTHER ORDERS that the Applicant upgrade all of the existing multi-party customers to a minimum of four-party service by December 31, 1986.
- 1.6 THE COMMISSION FURTHER ORDERS that the Applicant submit, within 60 days of the date of this Order, a detailed plan for the 1984-1986 period of the date of this Order, a detailed plan for the 1984-1986 period indicating all of the activities required to complete the rural upgrade program to a minimum of four-party service for rural telephone customers.

## 2.0 BACKGROUND

The Applicant's last rate application was filed with the Commission in July, 1982. At that time the Applicant had requested an average rate increase of approximately 17 percent. Although the Commission's analysis of the rate application was completed in January of 1983, rates did not become effective until March of the same year. The Commission's findings are detailed in Order No. 4198, dated January 18, 1983. In the Order the Commission concluded that the Applicant had an additional revenue requirement of \$547,000, based on a 1983 test year, which subsequently resulted in an average rate increase for services effected of 4.6 percent.

In July, 1983, four months after the rate increase became effective, NTL filed for a further increase in rates. This application sought \$1,189,000 in additional local service revenues for 1984, based upon a 1984 test year. If the application was approved in full, this would have required an 11.3 percent average increase in rates affected by the application, commencing January 1, 1984 and rates be increased twice within a twelve month period.

The filing of the rate application with the Commission by the Applicant was followed by a notice of the proposed rates to each of the Applicant's customers. The notice indicated that intervenors' written submissions were to be filed on or before August 29, 1983. The Commission received approximately 40 individual submissions, including resolutions from the Corporation of the Town of Hearst, the Town of Iroquois Falls, the Corporation of the Township of Black River, Matheson, Township of Moonbeam, City of Timmins, Casey Township, and the Neoma (Northeastern Ontario Municipal Association). The Commission also received a petition from approximately 300 of NTL's customers in the Timmins area. Primarily, the intervenors opposed the rate increase proposed by NTL as well as complaints in respect to service problems and high line loads.

After receiving the submissions the Commission decided to hold three field hearings in the territory served by the Applicant. Notices were placed in local newspapers on October 5 and 12, providing information with respect to the time and place.

On October 17, 1983, a public hearing was held in Timmins and on October 18, 1983, a second public meeting was convened in Iroquois Falls. There were a number of complaints regarding multi-party service. The third and final public field hearing was held in New Liskeard on October 19, 1983. In New Liskeard the Commission heard from Mr. David Ramsey, President of the Temiskaming Federation of Agriculture who said that the Applicant's rural upgrade program was proceeding much slower than the original plans called for. He expressed a concern that when the rural upgrade program is finally completed in five years time, that four-party telephone service will be obsolete. Farmers in the territory served by NTL will require private line service in order to benefit from current and future on-line interactive information systems. The Commission's findings on the Applicant's rural upgrade program are detailed in section 11 of this Order.

During the processing of this rate application the Commission requested replies for approximately 115 interrogatories from the Applicant. These requests for additional information primarily dealt with the financial aspects of NTL's performance, the rate application as well as its construction activity. The replies to these interrogatories facilitated the analysis of the rate application, and culminated in a financial hearing held in the Commission's office in Downsview, on November 24 and 25, 1983.

The financial hearing was public and the Commission heard an oral submission from Alderman D. Welin and Alderman F. Krznaric on behalf of the Corporation of the City of Timmins. They requested that the rate increase be limited to 5 percent and that the Commission obtain a firm commitment from the Applicant to provide extended area service (EAS) between the communities of Timmins, Connaught and Kamiskotia. The Commission's findings on this specific issue are found in section 11 of this Order. The hearing dealt with many aspects of the rate application, including the forecast of 1984 toll revenues, costing of business information services, the sale of terminal equipment, rate structure, the digital program, and the Applicant's record and plans regarding the rural upgrade program.

During the course of processing the rate application, the Applicant filed new information regarding the 1984 test year which had a significant impact on the additional revenue requirement.

Most notably was a filing identified as Exhibit 4, submitted on September 29, 1983. In this filing the Applicant amended 1984 long distance service revenue by \$437,000, depreciation expense by \$106,000, and the requested return on equity from 13.7 percent to 14.0 percent. The net impact was a reduction in the additional revenue requirement from \$1,189,000 to \$748,000. In effect, the revisions amounted to a new rate application and had the additional revenue requirement increased, the Commission may have required the Applicant to refile the rate application and advertise the revised rates. Since the additional revenue requirement was reduced, the Commission decided not to delay the review of the application by requiring a revised application. Nevertheless, the Commission has examined each of the Applicant's adjustments in detail and the Commission's findings on these and other financial and quality of service matters are contained in the following sections of the Order.

### 3.0 TEST YEAR

The Applicant originally requested total additional revenues of \$1,189,000 based on a 1984 test year. Based on the information contained in the application of July 1983, this was the estimate of additional revenue required from local services in order to provide the Applicant with a 13.7 percent return on average common equity in 1984. In reply to interrogatory OTSC26JUL83-601,



NTL indicated that the 1983 financial data contained in the rate application was based on 3 months actual data and 9 months estimated data. This means, of course, that the forecasts used in the 1984 test year had been estimated 9 to 21 months in advance. The risks of using a fully forecasted test year have been well documented in previous Commission Orders, (Order Nos. 3949 and 4198), but risks of a future test year require a significant portion of the Commission's time in evaluating the reasonableness of the forecasts. The risks associated with the forecasting of particular items, such as 1984 interest rates and interest expense, are great and the Commission will continue to hold the Applicant responsible for substantial variances between the forecasted and actual results of specific amounts.

## **4.0 REVENUES**

The Commission has accepted the Applicant's estimates of local service and miscellaneous operating revenues for the purpose of determining an additional revenue requirement in this rate application. However, the Commission has concerns over the Applicant's estimate of 1983 and 1984 toll revenue and these are discussed in detail in section 4.1.

### **4.1 Toll Revenues**

#### **4.1.1 NTL/ONTC Toll Agreement**

On September 29, 1983, the Applicant filed new evidence with the Commission which stated that "On September 14, 1983, the Applicant received notification from the Ontario Northland Transportation Commission (ONTC) that the 5% revenue settlement supplement for message toll, inwats and outwats services would be extended through to December 1984". As a result of this long distance supplement, NTL estimated that the forecasted 1984 Long Distance Service Revenue of \$8,989,000 would increase by \$437,000. Upon receipt of this information interrogatory OTSC30SEP83-112 was issued requesting NTL's calculation of the \$437,000 increase. After examining the Applicant's reply and reviewing the evidence during the financial hearing, the Commission has found that of the additional \$437,000 in long distance service revenue expected by the Applicant in 1984, \$388,000 is derived from message toll, \$15,000 from Outwats, and \$34,000 from Inwats. The Commission is satisfied that the Applicant has made a reasonable attempt at estimating the additional revenues from the ONTC 5 percent revenue settlement supplement. However, the Commission has made an adjustment to the Applicant's estimate of 1984 gross tolls. As a result of the adjustment discussed in the next section, the Commission must also revise the 5 percent supplement for 1984 by \$10,000. In addition to the adjustment to the 5 percent supplement, the Applicant also revealed during the course of the financial hearing that the estimate of 1984 other toll revenue is underestimated by approximately \$85,000 and the Commission has included this as an adjustment.

In reply to interrogatories OTSC040CT83-107, 108, 109, and 111, the Applicant provided some information demonstrating how its own toll expense is calculated for the year. Since the Applicant will now be obligated to pay less to ONTC for use of the long distance facilities, the company toll expense will be proportionately smaller. The Commission estimates that the introduction of the 5 percent supplement for 1984 will reduce company toll expense by approximately \$14,000, and this adjustment has been included in the calculation of the additional revenue requirement.

#### **4.1.2 Forecast of 1984 Long Distance Service Revenues**

Forecasting long distance service revenues can be particularly troublesome. There are a number of factors which will have a significant influence on revenue,



including changes in toll rates, change in calling patterns, and revisions to toll settlement procedures. Increases in toll rates approved by the CRTC for Bell Canada are normally implemented by ONTC, which is the provider of most toll services in the Applicant's serving territory. At the time of writing the Commission is not aware of any plans on the part of Bell Canada or ONTC to revise toll rates in 1984. Similarly, revisions to toll settlement procedures are difficult to forecast. Although traffic agreements between a telephone system under the Commission's jurisdiction and any other telephone system require approval under section 96 of The Telephone Act, such agreements are usually the result of a process of negotiation and this process is not always complete before the test year commences.

In this application, however, the Commission does have the necessary information regarding changes to the NTL/ONTC Traffic Agreement. This adjustment is examined and explained in section 4.1.1.

Calling patterns are somewhat more predictable, and the method employed by the Applicant to forecast calling patterns is based on a trending of long distance service messages billed, and a consideration of current and future economic conditions. Since 1975, NTL has witnessed the following growth in long distance service messages billed.

**TABLE 1**

**NTL LONG DISTANCE SERVICE MESSAGES BILLED  
1975 to 1985**

	YEAR	MESSAGES X 1,000	PERCENT INCREASE
Actual:	1975	3,999	
	1976	4,377	9.5
	1977	4,832	10.4
	1978	5,266	9.0
	1979	5,816	10.4
	1980	6,322	8.7
	1981	6,753	6.8
	1982	6,756	—
Estimate:	1983	6,859	1.6
	1984	7,014	2.3
	1985	7,294	4.0

During the financial hearing, Mr. M. Cooper, witness for the Applicant, admitted that the 1983 growth in messages to date was marginally greater at 1.6 percent than the original estimate of 1.5 percent, but claimed that this would have no effect on the forecast of 1984 messages.

The Commission believes that the Applicant is overly pessimistic for 1983 and 1984. In Exhibit 1, Section 2, Appendix 4, the Applicant projected a growth in gross tolls of 7.8 percent in 1983. The Applicant's Exhibit No. 12 shows that there was a 9.1 percent increase in gross toll in the first 10 months of 1983 over the same period in 1982. It appears that the Applicant has underestimated the additional revenues to be generated by the toll rate increase. Table 2 following compares the rate increases which took place in 1983 to the Applicant's estimate of how those rate increases will effect revenues.

TABLE 2

**NORTHERN TELEPHONE LIMITED  
COMPARISON OF TOLL RATE INCREASE TO APPLICANT'S ESTIMATE**

<b>Long Distance Service</b>	<b>Date Effective</b>	<b>Approximate Rate Increase</b>	<b>NTL Estimate of Impact on Revenues</b>
Ontario-Quebec	September 1, 1983	5%	3.9%
Trans-Canada	October 1, 1983	5%	3.9%
Canada-USA	October 18, 1983	5%	3.9%

During the November 4, 1982 financial hearing the Applicant was questioned extensively on the matter of adjusting the toll rate increase downward to reflect the Applicant's expectation that revenues would not increase by the same magnitude.

The percentage increase in rates will not be equal to the percentage increase in revenues because of a phenomenon the Applicant refers to as 'melt'. During the November 4, 1982 financial hearing, the Applicant was able to explain the reasons for the 'melt' but was unable to explain or support the magnitude of the 'melt'. In the current application, the Applicant did not provide any additional information. Although the concept may be sound, the Commission cannot accept the Applicant's estimate without support. In the Commission's view, the Applicant should reasonably expect an increase in revenues of more than 3.9 percent given a rate increase of 5 percent. In recognition of the Applicant's assumption that an increase in toll rates will have a negative effect on toll messages, the Commission has recalculated the Applicant's reply to interrogatory OTSC040CT83-110, Sheets 2 and 3, allowing for a 4.5 percent increase in revenues brought about by the September 1, 1983, increase in Ontario-Quebec toll rates; the October 1, 1983, increase in Trans-Canada toll rates; and the October 18, 1983, increase in Canada-USA toll rates.

The Commission's summary of revisions to the Applicant's estimate of 1983 and 1984 long distance service revenue as provided in Table 3.

TABLE 3  
\$000

NORTHERN TELEPHONE LIMITED  
COMMISSION ADJUSTMENT TO APPLICANT'S  
1983 AND 1984 LONG DISTANCE SERVICE REVENUE

	1982		1983		1984
	Exhibit 1 Section 2 Appen'x 4	Exhibit 1 Section 2 Appen'x 4	Commission	Exhibit 1 Section 2 Appen'x 4	Commission
Gross Tolls	16,108	17,368	17,545	18,386	18,645
Less: ONTC Settlement	8,923	9,268	9,362	10,204	10,348
Less: Company Tolls	345	331	331	344	344
Net Message Tolls	6,840	7,769	7,852	7,838	7,953
Plus: Other Toll Revenue	967	1,144	1,201	1,151	1,236
% Supplement for 1984				437 <sup>1</sup>	447
Long Distance Service Revenue	7,807	8,913	9,053	9,426	9,636
Net Commission Adjustment			140		210
Adjustment to Company Toll Expense					(14)

1. Reply to interrogatory OTSC30SEP83-112.

## 5.0 EXPENSES

### 5.1 Business Information System

The issue in this rate application is identical to that faced by the Commission in the NTL JUL 82 rate application. In Order No. 4198, dated January 18, 1983, the situation was described as follows:

In section 4 (NTL JUL 82, Exhibit 1) of this application, the Applicant describes the Business Information System (BIS) department as providing "a wide range of data processing services for the Telephone Operations such as customer records and billing, general ledger, accounts payable, payroll and construction system. The department also provides data processing services to outside clients such as toll and customer billing systems for other telephone companies, municipal tax billing and data services for the provincial government". It is this dual use of the BIS department which has raised issue in this rate application. In section 4 of the rate application, the Applicant had proposed to allocate 56.3 percent of the BIS department costs to the telephone operations, while the remaining 43.7 percent is allocated to outside clients for 1983. The comparable allocation in 1982 was 41.6 percent to the telephone operations, and 58.4 percent to outside clients. In fact the telephone operations has consistently been allocated 41 to 43 percent of the total BIS department costs since 1979. The increase to 56.3 percent in 1983 is the major reason for the \$159,000 increase in BIS costs to the telephone operations.

For the 1984 test year, the Applicant has proposed to allocate 60 percent of the BIS Department costs to the telephone operations and this would result in total BIS costs allocated to the telephone operations of approximately \$885,280. This compares to an allocation of approximately \$761,254 proposed by the Applicant for 1983, and approximately \$562,463, allocated by the Commission to the 1983 telephone operations for the purpose of determining an additional revenue requirement.

Table 4 below demonstrates the cost allocation proposed by the Applicant in NTL JUL 82 for the 1983 test year, the cost allocation used by the Commission for the 1983 test year, and the cost allocation proposed by the Applicant for the 1984 test year.



TABLE 4

**NORTHERN TELEPHONE LIMITED  
TELEPHONE OPERATIONS  
ALLOCATION OF BIS COSTS**

	1983		1984
TOTAL BIS Department Costs excluding overhead costs	\$1,145,100	\$1,145,100	\$158,200
Telephone Operations Percentage	56.3%	41.6%	60.0%
Costs Allocated to Telephone Operations	\$644,600	\$476,268	\$694,900
TOTAL BIS Overhead Costs	\$207,200	\$207,200	\$317,300
Telephone Operations Percentage	56.3%	41.6%	60.0%
BIS Overhead Costs Allocated to Telephone Operations	\$116,654	\$86,195	\$190,380
TOTAL BIS Costs Allocated to Telephone Operations	\$761,254	\$562,463	\$885,280

If the Applicant's method of allocating BIS costs to the telephone operations was employed, this would result in total allocated costs of \$885,280, which is approximately 16 percent greater than the Applicant had proposed to allocate for the 1983 test year, and approximately 57 percent greater than the costs the Commission allowed for the 1983 test year. Both the methodology used to allocate BIS costs to the telephone operations and the increase in total costs in 1984 was the subject of numerous written interrogatories and questions during the financial hearing.

**5.1 Business Information System (Cont'd)**

The concerns of the Commission are, as expressed in Order No. 4198:

- There is little or no incentive to acquire new outside clients for data processing services.
- The telephone customers are subject to 100 percent of the risks associated with this unregulated aspect of Northern Telephone Limited.
- Usage can be measured a number of different ways and therefore the Applicant's current methodology is arbitrary.
- Unused BIS Department capacity can be used for the telephone operations even though additional jobs may not be cost effective and will result in increasingly larger proportions allocated to the telephone operations.

After reviewing the same issues in the context of the present rate application, the Commission is still not persuaded that cost allocation based strictly on usage will result in fair treatment to the Applicant's customers unless the above related issues are also considered. In Exhibit 1, Section 3, of the application, the Applicant replied to the list of four issues and elaborated on the replies during the financial hearing.

- 5.1.1. There is little or no incentive to acquire new outside clients for data processing services.

With regard to this first concern noted above, the Applicant contends that because the Commission generally approves a range for the allowed return that there is an incentive on the part of the Applicant to seek operating cost efficiencies and new revenue sources which will permit it to achieve the upper limit of the range, and "This incentive applies equally to the incentive to seek out new Data Service clients". (Exhibit 1, Section 3, Page 7). It is the Commission's hope that this is true in practice. However, the Commission recognizes that because telephone rates are approved to recover all expenses and earn a return on the investment, that there may be a tendency to allocate additional expenses to the telephone operations with the expectation that telephone rates will be approved to recover the costs which cannot be recouped from Data Service revenues.

During the financial hearing, Mr. Cooper spoke about this lack of incentive to acquire new customers:

I think we will continue to do what we have been doing and that is to provide good service, but we don't see that it will pay or be viable for us to go out and actively, aggressively try to market the service. We don't believe that money can be made or that we can justify the cost of doing that kind of thing.

- 5.1.2 The Telephone customers are subject to 100 percent of the risks associated with this unregulated aspect of Northern Telephone Limited.

Regarding the risk to the telephone customers, the Applicant stated, in Exhibit 1, Section 3, Page 8, that, "The Company maintains that there is no risk to the subscriber associated with the method of cost allocation used for Data Service". The Commission does not agree. The ultimate risk is if NTL loses all of the outside data service clients and the telephone customers are then assigned 100% of the costs of the BIS Department. The Applicant readily admits to this risk or requirement:

The Company has been consistent in its use of this method, even though it has resulted in unreasonably low BIS expense being charged to the Telephone Operations. As a result of the increased allocation of BIS costs to the Telephone Operations, the subscribers are now paying a larger share of costs which they would be required to absorb entirely if the Company had no data service business. (Exhibit 1, Section 3, Page 9).

It is not likely that costs of the total operations of the BIS Department would be reduced by any significant amount as a result of the loss of outside clients. The Commission has observed that, although Telebec accounted for approximately one half of BIS revenue, total BIS costs excluding allocated overhead costs, were reduced by only 123,400 from \$1,168,500 (NTL JUL 82, Exhibit 1, Section 4, Appendix 2, Sheets 1 and 2) after Telebec was lost as a data processing customer. Although the Applicant does not consider the potential loss of BIS customers as a risk, the Applicant did readily admit that any costs no longer recovered from outside clients would be borne by the telephone customers.

- 5.1.3 Usage can be measured a number of different ways and therefore the Applicant's current methodology is arbitrary.

The third concern expressed by the Commission was that relative usage of the BIS Department is the basis on which costs, between telephone operations and outside clients, are allocated. In Section 3 of the rate application, the Applicant provided a good deal more of the supporting data used to develop the allocation ratios. This information was very helpful to the Commission in evaluating the allocation ratios. In Exhibit 1, Section 3, the Applicant also referred to a statement made by the Commission in Order

No. 4198, where it was stated that "...although the Commission has accepted the methodology used by the Applicant to allocate BIS Department costs between the telephone operations and outside clients, the Commission has not examined or approved of the Applicant's usage study."

More specifically the Commission has employed the Applicant's methodology in Order Nos. 4151, 3949, 3563, but was rejected in Order No. 4198. In fact, the Commission stated in the context of the last NTL rate application that it was "...reviewing the methodology used by the Applicant to allocate BIS costs between the telephone operations and outside clients." The Commission concluded by stating that it "...will expect that the Applicant will investigate this problem in more detail and provide the Commission with viable alternatives which will not burden its telephone customers." In the current application, Exhibit 1, Section 3, Page 9, the Applicant replied to the Commission's directive: "This method was previously accepted by the Commission, and the Company feels that it is reasonable for the telephone subscriber to absorb the increased costs allocated to Telephone Operations," and "The Company maintains that for BIS expense, the cost allocation method based on usage is fair and reasonable to the telephone subscriber."

The Commission does not dispute that the customers should be responsible for paying the costs caused by the usage, but the Commission is seriously concerned when BIS costs excluding overhead costs, allocated to telephone customers increased from \$486,000 (NTL JUL 82, Section 4) in 1982, to \$640,300 (NTL JUL 83, Section 3) in 1983. If usage was measured in relation to total capacity, this problem would not be as significant, but the Applicant measures telephone operations usage in relation to total use, and total use has fallen off dramatically because of the loss of Telebec as an outside client.

5.1.4 Unused BIS Department capacity can be used for the telephone operations even though additional jobs may not be cost effective and will result in increasingly larger proportions allocated to the telephone operations.

The final concern expressed by the Commission in Order No. 4198 is the perceived tendency on the part of the telephone system to substitute new telephone jobs for the unused capacity in the BIS Department created as a result of the loss of Telebec. This has the effect of allocating a greater proportion of total BIS costs to the telephone operations. In (Exhibit 1, Section 3, Page 9) the Applicant responded that "The management of the Company thoroughly reviews each new application to assure itself that each job is justified before being approved for completion and implementation". It is not the Commission's desire to review each new data processing job. Nevertheless, the Commission must be cognizant of the fact that telephone customers will be required to pay for new projects, both those which are worthwhile, and those which are not essential.

In reply to interrogatory OTSC26JUL83-510, the Applicant identified *nine new projects* for the BIS Department, which have been or may be undertaken during 1983 and 1984. These projects included cash machine enhancements; employee benefit statement; mechanization of business records; pension sub-system; third number billing from pay phones; cash conversion; enhancements for the customer services budget and results group; future product/service information and miscellaneous studies. As noted, the Commission does not have the ability to monitor and evaluate each new BIS project, and yet the current method of allocating BIS costs to the telephone operations will put an additional responsibility on the Commission to question the Applicant regarding the costs associated with any new BIS project.

As a result of the additional costs imposed on the Applicant's customers resulting from the current method of allocating BIS costs, and because the Applicant has insisted on using the methodology, even on the request of the Commission to consider alternate methodologies, it is now contingent upon the Commission to develop a methodology of allocating BIS costs to the telephone operations which will be fair and reasonable.



The Commission has considered three of many alternatives: continue to use the procedure or some modification of the procedure employed in Order No. 419; allocate costs based on the telephone operation usage relative to total BIS capacity; and thirdly, treat the BIS Department as a function divorced from telephone operations, exclude all capital costs from the rate base, expenses from the income statement and charge telephone customers for the use of the BIS Department at the same rate outside clients would be charged.

The Commission has decided upon the first alternative, that is, to allocate anticipated 1984 BIS Department costs to the telephone operations using allocation factors which were originally developed as a result of a usage study completed for 1982. This approach does not resolve all of the problems but until enough information is available to evaluate other alternatives, the Commission believes this to be the most reasonable.

However, the Commission has been convinced by some of the information filed by the Applicant that strict application of the procedure used in Order No. 4198, for the 1984 test year, may not accurately reflect all the costs which should be allocated to the telephone operations. In the Commission's view, strict application of the Applicant's methodology will only serve to allocate costs to the telephone operations which are not appropriate. The success of developing a reasonable alternative is contingent upon the Applicant's cooperation, which has not been forthcoming to-date. During the financial hearing, the Applicant filed Exhibit 7, which stated in part that:

The Company wishes to advise the Commission at this time that the acceptance of this method (used in Order No. 4198) will result in a reassessment of the objectives of the entire BIS efforts and the likely discontinuation of the Data Services business. Elimination of these revenues would most certainly lead to higher subscriber rates due to the loss of the contribution to overhead costs that this business makes.

The Applicant could not specify for the Commission how much bigger the subscribers rates would be as a result of a loss of the revenue contribution by outside BIS clients.

Furthermore, the Applicant did not offer the Commission any evidence that the entire existing BIS facilities are required for the telephone operations.

However, given the fact that the BIS Department and all of the equipment does exist, and that it would likely be inefficient not to use the equipment to the extent possible, the Commission recognizes that the loss of more BIS clients would require the Applicant to maintain a BIS Department too large and inefficient for the telephone operations alone.

In order to ensure that telephone rates are not increased unnecessarily by the Applicant's cost allocation approach, the Commission has decided to allow a portion of the difference calculated in Table 5 to be included in the additional revenue requirement calculation for the 1984 test year. To include the full impact of the Applicant's approach would require an average rate increase approximately 3.5 greater than would have resulted under the method employed in Order No. 4198, and this is unacceptable to the Commission.

In future rate applications the Commission will consider including the full BIS costs allocated by the Applicant to the telephone operations in the additional revenue requirement calculation. The decision will be based on, but not limited to, the following factors: the increase in the total costs of the BIS Department; proposed changes to the allocation factors; evidence of the Applicant's attempts to acquire additional outside work for the BIS Department; and a full explanation and justification of new BIS work for the telephone operations. In regards to new BIS work for the telephone operations, the Applicant should be prepared to provide a full and detailed explanation of any new or proposed BIS work, provide the number of man hours per year required for the job, show



any additional costs required to do the work, and show management's evaluation of the new projects and reasons to proceed.

TABLE 5

**NORTHERN TELEPHONE LIMITED  
BUSINESS INFORMATION SYSTEM DEPARTMENT  
COMMISSION ADJUSTMENT TO  
1984 BIS COSTS ALLOCATED TO THE TELEPHONE OPERATIONS**

	<u>APPLICANT</u>	<u>COMMISSION</u>
TOTAL BIS Department Costs excluding Overhead Costs	\$1,158,200	\$1,158,200
Telephone Operations Percentage	<u>60.0%</u>	<u>41.6%</u>
BIS Department Costs Allocated to Telephone Operations	<u>\$694,900</u>	<u>\$481,811</u>
Data Service Function Credit: Total BIS Dept. Overhead Costs	\$317,300	\$317,300
Outside Client's Percentage	<u>40.0%</u>	<u>58.4%</u>
Data Service Function Credit	<u>\$126,920</u>	<u>\$185,303</u>
Difference in:		
BIS Department Costs allocated to Telephone Operations		\$213,089
Data Service Function Credit		<u>\$ 58,383</u>
Total		<u>\$271,472</u>
Adjustment included in additional revenue requirement calculation		<u>\$135,000</u>

**NOTE:** Due to the rounding of the Telephone Operations and by the Outside Clients' Percentage, the products in the Table may appear to be incorrect.

The format of this Table is not directly comparable to the format of Table 6, Order No. 4198.

## 5.2 Depreciation Expense

When the Applicant filed the rate application in July 1983, the composite depreciation rate estimated for 1984 was 5.89 percent, which resulted in a depreciation expense of \$4,150,000. On August 30, 1983, the Applicant filed 1984 provisional depreciation rates for approval by the Commission. These rates yield a composite depreciation rate of 5.74 percent, and 1984 depreciation expense of \$4,044,000. The new depreciation rates and expense estimated for 1984 has been reviewed in the context of a separate application and received Commission approval in Order No. 4273 dated November 25, 1983. Therefore, for the purpose of calculating an additional revenue requirement, the Commission has accepted the revised depreciation expense of \$4,044,000.

## 5.3 Sales Division Expense

The Commission issued Interim Order No. 4188 on November 18, 1982, and recently final Order No. 4276 which permitted the telephone systems under its jurisdiction to sell telephone equipment under certain conditions. Northern Telephone Limited is one of the telephone systems which has taken advantage of this new opportunity. In response to interrogatory OTSC26JUL83-906, the Applicant filed, in confidence, a forecasted income statement for the sales division for the years 1983 to 1985 inclusive. No intervenor questioned the confidentiality of the reply. The income statement is the absolute minimum information required and in many cases it will not be sufficient. In Interim Order No. 4188, the Commission specifically ordered the telephone systems to maintain adequate accounting records which would permit the Commission to determine whether or not unwarranted cross-subsidies were arising. That section of the Interim Order is repeated below for emphasis:

THE COMMISSION ORDERS that any telephone system selling terminal equipment maintain accounting records for documentation for the sale and costing of such equipment which will allow the Commission to determine the impact on the telephone customers from such sales.

The necessity of keeping proper accounting records for the sale of telephone equipment is also emphasized in Order No. 4276 section 1.7.1 as follows:

THE COMMISSION FURTHER ORDERS that any telephone system which sells terminal equipment pursuant to section 1.7 of this Order, shall do so either through a separate arms-length subsidiary corporation or shall segregate such activities in its books of account to clearly identify the sales function in a manner that allows the Commission to verify that sales of equipment recover the costs incurred, all costs being considered.

In Section 3, Appendix 5, the Applicant allocated a portion of certain expenses which are common to all divisions of Northern Telephone Limited to the Sales Division. The allocations were based on a number of reasons, none of which were supported by the Applicant, and none of which can be verified by the Commission. Of particular concern to the Commission was the allocation of Business Services expense and Marketing expense. Out of Business Services expense of \$380,000, the Applicant allocated only 1.5 percent to the Sales Division, and of the \$277,000 Marketing expense, only 1.87 percent was allocated to the Sales Division in 1983. This does not appear to be consistent with other information provided by the Applicant.

The Applicant's reply to interrogatory OTSCO2AUG83-206, Sheet 9, shows that coincident with the introduction of terminal interconnection in 1983, the Applicant acquired two additional Marketing and Development employees at a cost of \$70,000. Section 6, Appendix 2, Sheet 2, also shows that, post interconnection, 1983 Marketing and Development expense is expected to reach \$346,000, a 36.2 percent increase over the, pre-interconnection, 1982 expense of \$254,000. Marketing and Development expense is forecasted to increase by another 8.3 percent in 1984 as one part time employee becomes full time.

The Commission is not convinced that the increase in expenses and employees is related solely to factors other than the introduction of sales activity.

Some of the increase in Marketing and Development expense, and the Business Services expense, would undoubtedly occur had the Applicant decided not to sell terminal equipment. It could be expected, for instance, that greater activity in leases would have caused an increase in Marketing and Development expense, particularly with the introduction of the two tier or rate stability type contracts.

However, it was Mr. Cooper's contention throughout the financial hearing that none of the \$86,000 growth in 1983 and \$9,000 growth in 1984 predicted for the Marketing and Development Department is directly the result of the introduction of sales activity. The Applicant also predicted that there would be a growth in the Business Services Department of \$23,000 in 1983. The Commission is of the view that a minimum of 50 percent of these additional costs are directly the result of the introduction of the Applicant's sales activity. Table 6 below provides the additional costs relating to sales activity.

TABLE 6

**NORTHERN TELEPHONE LIMITED  
COMMISSION CALCULATION OF COSTS DIRECTLY  
RELATED TO SALES ACTIVITY - 1984**

	<u>OTSCO2AUG83-206 SHEET 9 - 1983</u>	<u>ITSCO2AUG83-207 SHEET 3 - 1984</u>	<u>TOTAL</u>
Marketing and Development	\$86,000	9,000	\$95,000
Business Services	<u>\$23,000</u>	<u>(2,000)</u>	<u>21,000</u>
Total	<u>\$109,000</u>	<u>\$7,000</u>	116,000
Related to sales activity 50%			<u>\$58,000</u>

Of course, there are costs other than the Marketing and Development expenses, and the Business Services expenses, associated with the selling of equipment. In Exhibit 1, Section 3, Appendix 5,, the Applicant attempted to allocate certain costs common to the sales division as well as the other divisions within Northern Telephone Limited. Excluding the Marketing and Development expense and the Business Services expenses examined above, the Applicant calculated a total of \$262,300 in costs which should be allocated. (Exhibit 1, Section 3, Appendix 5, Sheet 3). For the purposes of this rate application, the Commission will employ the \$262,300 allocation base.

In the rate application, the Applicant applied an allocation factor to the allocation base to determine the sales division credit. The allocation factor was based on the Applicant's estimate of the ratio of the Business Services and Marketing staff time spent on sales division activity to the total Business Services and Marketing staff time available. The Applicant filed sample time sheets completed by the employees which allowed the Applicant to calculate a weighted allocation factor of 2.19 percent for 1984.

It became apparent during the financial hearing, however, that an employee's time spent with a customer would require explanations of lease or rental versus purchasing options. Mr. Cooper indicated that once a customer has decided in favour of a purchase, the Applicant ensures that the cost is then associated with the sales division. The Commission is concerned that this would not reflect the additional staff time necessary to explain the relative advantages and disadvantages of purchasing the equipment outright to a customer who ultimately decides not to purchase but to lease or rent. In fact, the Commission observes that the Applicant estimates that in 1983 only 1.5 percent of the Business Services staff time, and only 1.87 percent of the Marketing staff time, was spent on sales activity.

For the reasons explained above, it is the Commission's view that 50 percent of the growth in Marketing and Development expenses and Business Services expenses more closely reflect the costs resulting from the introduction of the sales division. It is also reasonable to assume that one out of the two additional employees working in these divisions reflect the need for additional staff to deal with sales activity. Therefore, for the purpose of calculating an allocation factor, the Commission will use the ratio of the additional employee required for the sales division, to the existing employees of the Business Services and Marketing divisions. In the absence of more complete and detailed information, the Commission believes that the factor calculated in Table 7 is in fair approximation of staff time available on Sales Division activity to total staff time available.

**TABLE 7**

**NORTHERN TELEPHONE LIMITED  
COMMISSION CALCULATION OF SALES DIVISION ALLOCATION FACTOR**

Additional Employee	1
Existing Employees (OTSC30SEP83-223)	16
Allocation Factor	.0625

**TABLE 8**

**NORTHERN TELEPHONE LIMITED  
CALCULATION OF 1984 SALES DIVISION CREDIT  
AND COMMISSION ADJUSTMENT**

Allocation Base	262,300
Allocation Factor	.0625
Costs Allocated	<u>16,394</u>
Direct Costs	<u>58,000</u>
Sales Division Credit	<u>74,394</u>
Applicant's Sales Division Credit (Exhibit 1, Section 3, Appendix 5, Sheet 1)	<u>41,200</u>
Commission Adjustment	<u>33,194</u>

The Commission views the above methodology as an interim measure until the Applicant can provide sufficient support of the Sales Division allocation factor.



## 6.0 INCOME TAXES

For the purpose of determining an additional revenue requirement, the Commission has used the Applicant's tax rate of 51.0 percent which includes the recent increase in the Provincial tax rate.

## 7.0 RATE BASE

In Order No. 4198, the Commission made the following observation regarding the valuation of the rate base which excludes the effect of the proposed rates:

The Applicant, by this time, must be aware of the approach determined by the Commission. In Order No. 4151, dated June 9, 1982, it is clear that the rate base is measured without rate relief and the additional revenue requirement approved in the Order was determined on that basis. In Order No. 3949, dated June 27, 1980, the Commission employed a 1981 test year with a rate base measured without rate relief.

In this rate application, the Commission is not persuaded by the Applicant and continues to measure the rate base without rate relief.

...if the Applicant has substantive reasons for employing a rate base calculated with rates, the Commission is open and willing to hear such reasons in the context of any future rate application.

In this rate application the Applicant has again used a rate base calculation based on the assumption that the full rate increase would be approved. Furthermore, despite the Commission's invitation, no explanation was received during the processing of this application from the Applicant as to why the rate base should be measured with the full rate request included. The Applicant's insistence on using a rate base with rates has only resulted in additional work. A number of interrogatories were issued requiring the Applicant to refile sections of the rate application so that the additional revenue requirement could be calculated without rates. Although the Commission will not require the Applicant to change its method in rate applications, continued inclusion of the additional revenue requirement in the rate base will continue to require additional interrogatories and work on the part of the Applicant.

For the purpose of determining an additional revenue requirement in this application, the Commission will use the rate base measured without rates.

**TABLE 9**  
**(\$000)**

**NORTHERN TELEPHONE LIMITED**  
**TELEPHONE OPERATIONS**  
**AVERAGE 1984 NET ASSET RATE BASE**

**EXHIBIT 4**  
**APPENDIX 2**

1. Total Telephone Property	72,116
2. Less: Accumulated Depreciation	<u>24,521</u>
3. Net Telephone Property	47,595
4. Materials and Supplies	552
5. Working Capital	<u>(1,435)</u>
6. Sub Total	46,712
7. Less Deferred Taxes	<u>8.773</u>
8. Average Total Capital	<u>37,939</u>

## 8.0 ACCOUNTING REFINEMENTS

The accounting refinements were first introduced by the Applicant in the NTL JAN 80 rate application. At that time NTL proposed that the expensing or capitalizing of overhead costs be determined based on the following criteria: "All overhead costs which vary with the level of construction shall be capitalized. All other overhead costs shall be expensed in the year of incurrence..." (NTL JAN 80 Section 4, Appendix 3, Page 1.) The Applicant also explained the application of this criteria to the following three categories of cost.

1. Direct Costs - Direct costs vary directly with the level of construction activity and therefore should be capitalized.
2. Indirect Costs - Indirect costs vary with the level of direct costs, and therefore are also related, but less precisely, to the level of construction activity, and therefore, should be capitalized.
3. Common Overhead Costs - These costs do not vary with the level of the construction program and should be expensed in total.

The Applicant also pointed out that this procedure was, in their view, "...in agreement with the accounting principle which advocates the matching of current costs to current revenues." (NTL JAN 80, Section 4, Appendix 3, Page 1).

In Exhibit 13, Page 2, filed in conjunction with the NTL JAN 80 rate application, the Applicant came to the following conclusion:

*...the Company has determined that those costs that have a quantifiable enduring benefit are to be capitalized. Conversely, those costs that do not meet this criterion are expensed. By this delineation, the Company has applied the most current understanding of accounting principles concerned with the matching of current costs and revenues.*

In order to ensure that it was meeting generally accepted accounting principles, the Company requested that its external auditors review its plan. Ross, Pope & Company advanced the opinion that the refinements to be implemented by the Company met generally accepted accounting principles and should be initiated as a one-time, full implementation exercise. The Company has decided that although a more pure accounting treatment would be to introduce all refinements as a one-stage exercise, a phased implementation has been introduced to minimize the impact on subscribers. (Emphasis added)

The Applicant also quoted from the OTSC's Discussion Paper, "A Framework for a Uniform System of Accounts" in support of the accounting concept of 'matching' in order to support the proposed accounting refinements. During the processing of the NTL JAN 80 rate application, the Commission requested a great deal of additional information and spent a significant amount of time during the financial hearing examining the proposed accounting refinements. The Commission's findings in Order No. 3949, dated June 27, 1980, led to a rejection of the proposed accounting refinements.

The Commission is of the opinion that the acceptance of such reasoning for change is not consistent with the basic accounting principle of matching costs and revenues. The fact that the Applicant admits that there is some enduring or future benefit related to certain costs requires some apportionment to capital. Therefore, until the Applicant can demonstrate that in the application of new accounting procedures, all the costs that relate to future benefits are properly recognized and that the proposed accounting procedures are more appropriate than the former procedures, the Commission requires the Applicant to continue to use the former method for the allocation of common overheads.

Nevertheless, the Commission recognized that the Applicant may wish to provide new support and additional information regarding the proposed accounting refinements.

It was not until the NTL JUL 82 rate application that the Applicant again proposed to implement the accounting refinements which would have resulted in an expensing of a greater portion of the common overhead costs. In the application (Section 5, Page 3), the Applicant rejected the enduring benefit criteria which it had first introduced in the initial proposal:

The Company has attempted to relate the enduring benefit criteria to the USOA provisions dealing with the accounting treatment of costs and finds inconsistencies in applying the future benefit criteria alone.

The enduring or future benefit criteria alone is not, in the Company's view, sufficient justification to require an apportionment of overhead costs to capital.

The criteria of capitalizing "costs that have a quantifiable enduring benefit" (NTL JAN 80 Exhibit 13, Page 2), as advocated by the Applicant was replaced with the guideline that "All overhead costs which vary with the level of construction activity shall be capitalized...." and that "Those costs which relate to the general operation and administration of the business and which do not vary with the direct costs shall be expensed in the year of incurrence". (NTL 82, Section 5, Page 1). Thus, the Applicant rejected the very accounting criteria of 'enduring future benefit' which it had used to support the proposed guideline of "...varying with the level of construction activity". This change in position was possible because the Commission had introduced these guidelines as notes into the Uniform System of Accounts (USOA) on the request of the Ontario Telephone Association.

Section 2.22, Note K(a) of the USOA states:

All overhead costs which vary with the level of construction activity shall be capitalized. These include overhead construction costs such as engineering, supervision, applicable



administrative office expenses, relief and pensions, taxes, interest, and any other costs which vary indirectly with the level of construction. These costs shall be charged to particular jobs or items at the time the item of plant is retired;

and in Section 2.22, Note K(d):

Those costs which relate to the general operation and administration of the business and which do not vary with the direct costs, shall be expenses in the year of incurrence;

However, these are notes to a more general instruction that:

The cost of the construction of property chargeable to the telephone plant accounts shall include the cost of labour, material and supplies, transportation, contract work, protection, injuries and damages, privileges and permits, taxes, rent, insurance, and other costs in connection with such work, and which are readily attributable to such work. (USOA 2.22).

In the Commission's view some of those costs, which the Applicant had proposed to expense, were readily attributable to the construction of property. Based on the principle of charging costs which are readily attributable to the construction of telephone property, the Commission included Notes K(a) and K(d) which have been quoted above. These Notes act as an aid to allocate overhead costs, but do not replace or over-ride the direction provided in section 2.22 of the USOA.

In Order No. 4198, the Commission denied the use of the accounting refinements proposed by the Applicant. The circumstances surrounding the Commission's decision included poor economic conditions in the Applicant's serving territory, the timing of the introduction of the USOA, and the method proposed by the Applicant to introduce the accounting refinements. In addition to all of this, the Commission still had concerns over NTL's application of the guidelines from the USOA. The Commission concluded that "For the purpose of this rate application, the Commission concludes that the Applicant's proposed accounting refinements are entirely inappropriate at this time."

When the current rate application (NTL JAN 83) was filed, the Commission was somewhat surprised to learn that the Applicant had abandoned all of its proposed accounting refinements. The 1984 test year used by the Applicant in the rate application is also the year the USOA will be implemented by the majority of the telephone systems under the Commission's jurisdiction. The use of the 1984 test year in the context of the current rate application would have been the ideal time for the Applicant to implement many of the accounting refinements which are in conformity to the USOA and also the best opportunity for the Commission to evaluate those aspects of the accounting refinements which may not be suitable under the USOA. The Commission can only conclude that the Applicant decided not to file a rate application which follows the direction contained in the USOA until a 1985 or later test year is employed in a rate application, and filed with the Commission in 1984 or later. In any case, the Commission will expect full adherence to the USOA once it has been formally introduced on January 1, 1984.

## 9.0 RATE OF RETURN

By way of introduction to the current rate application, the Applicant made the following assertion:

The Applicant's approved range for rate of return on average common equity is 15.5% to 16.5%. However, in light of current economic and social pressures to comply with the spirit of general restraint guidelines as enunciated by the Federal and Provincial Governments, the Applicant has voluntarily reduced its requested rate of return on average



common equity to 13.7%, which is considerably less than the mid-point of the approved range. This meets the Applicant's objective of keeping subscriber rate increases to a minimum, while maintaining the minimum standard of financial integrity. The Applicant stresses that this voluntary reduction applies only to this application. (NTL JUL 83, Page 2).

On September 29, 1983, the Commission received major amendments to the rate application first filed in July 1983. Among the adjustments was an increase in the rate of return on average common equity to 14.0 percent. In support of this change the Applicant provided the following reasons:

The Company is concerned that a 13.7% rate of return on average common equity in 1984 may not be sufficient to maintain the confidence of its investors. The Company had submitted 13.7% as the minimum acceptable rate of return on average common equity that would at least maintain the Company's financial integrity, and was based on maintaining the estimated 1983 rate of return on average common equity and limiting the average increase in Local Service Revenue to 9.5%. As a result of the continuation of the toll supplement and the Depreciation Expense reduction, the Company will be able to improve the rate of return on average common equity for 1984 from 13.7% to 14.0% and at the same time reduce the Local Service Revenue increase to less than 6.0%...

The Company maintains that this small increase in the rate of return will provide some assurance that the financial integrity of the Company will be maintained, even though it is still well below the midpoint of the range of 15.5% to 16.5% currently approved by the Commission and recommended by the Company's expert witness. The Company submits that the modest increase to 14.0% is justified...

The issue in this rate application has become whether or not the Commission should approve an additional revenue requirement which would permit the Applicant to earn a 13.7 percent or a 14.0 percent rate of return on average common equity. The issue is not the appropriateness or the reasonableness of a range of 15.5 to 16.5 percent for average common equity. It is the Commission's view that an examination of the approved range for rate of return on average common equity of 15.5 to 16.5 percent is not a useful exercise for two reasons. The range approved in Order No. 4198 was based on the evidence presented in the context of the NTL JUL 82 rate application and for a 1983 test year. The Commission's findings on an appropriate rate of return on equity in the context of that application has no direct relevance to the calculation of an additional revenue requirement based upon a 1984 test year. Secondly, the time and effort required on the part of the Commission and the Applicant to evaluate a range of 15.5 to 16.5 percent for return on average common equity is not worthwhile given the fact that the Applicant has requested a return on average common equity of no more than 14.0 percent.

Without having determined an appropriate range for the rate of return on equity, the Commission has decided to employ the 14.0 percent as amended by the Applicant for the purpose of determining an additional revenue requirement for the 1984 test year. The Commission believes that a rate of return on equity of 14 percent is a reasonable return for the Applicant.

The other components which enter into the rate of return calculation are the cost of debt capital and the cost of preferred equity. The Commission has accepted the Applicant's embedded cost of debt of 10.4 percent (without rates), and the cost of preferred equity of 6.1 percent. Table 11 provides the calculation of the cost of total capital.

## 9.1 Capital Structure

The capital structure weights to be applied to each source of financing is an important element in determining the allowed rate of return. The Commission has concluded in previous Orders that the appropriate capital structure to use for the telephone operations is equal to the test year estimated average capital structure of the Applicant *without rate relief* (see Section 7.0 of this Order.) The capital structure of the Applicant's total operations taken from Exhibit 4, Appendix 3, is presented in column (a) of Table 10.

The dollar amounts of debt, preferred, and equity capital allocated to the telephone operations is presented in column (e) of Table 10. This is obtained by applying the Applicant's capital structure weight for each source of funds to the telephone operations rate base. This method ensures that the sum of the sources of financing for the telephone operations equals the measured rate base.

The existence of an investment division, a BIS division, and a sales division, and the use of a net asset rate base for rate making requires that the Commission employ the capital structure weights of Northern Telephone Limited as an approximation of the capital structure of the telephone operations. The Commission does not believe that sources of financing can be identified for the exclusive use of specific divisions. Therefore, until there is a suitable change in the structure of the Applicant's operations, the Commission will continue to employ the capital structure weights of the total operations of Northern Telephone Limited to calculate the overall cost of debt and preferred equity of the telephone operations.

The Commission's adjustments to the Applicant's projected 1984 net income are found in Table 12. Line 18 of Table 12 shows an increase to net income available to common shareholders of \$191,000. This adjustment has the effect of increasing the Applicant's *total* average 1984 common equity by \$95,500. The impact on the capital structure and the weighted cost of capital is shown in the following two tables.

TABLE 10

**NORTHERN TELEPHONE LIMITED  
TELEPHONE OPERATIONS  
1984 AVERAGE CAPITAL STRUCTURE**

	<u>NTL Total Operations</u>	<u>Commission Adjustments</u>	<u>Revised Capital Structure</u>		<u>Telephone Operations</u>
	(a) (\$000)	(b) (\$000)	(c) (\$000)	(d) (%)	(e) (\$000)
1. Total Debt	26,160		26,160	42.1	15,972
2. Preferred Equity	8,984		8,984	14.4	5,463
3. Common Equity	<u>26,970</u>	96	<u>27,066</u>	<u>43.5</u>	<u>16,504</u>
4. Total	<u>62,114</u>		<u>62,210</u>	<u>100.0</u>	<u>37,939</u>

TABLE 11

**NORTHERN TELEPHONE LIMITED  
TELEPHONE OPERATIONS  
1984 COST OF CAPITAL**

	<b>Capital Structure Weights</b>	<b>Cost Rate</b>	<b>Weighted Cost</b>
	<b>(a) (%)</b>	<b>(b) (%)</b>	<b>(c) (%)</b>
1. Total Debt	42.1	10.4	4.38
2. Preferred Equity	14.4	6.1	.88
3. Common Equity	<u>43.5</u>	14.0	<u>6.09</u>
4. Total	<u>100.0</u>		<u>11.35</u>

## 10.0 REVENUE REQUIREMENT

The additional revenue requirement, for the purpose of this application, is based on a 1984 test year. The subject of test year and the Commission's findings with respect to this matter are presented in Section 3.0 of this Order.

Table 13 presents the calculation of the additional revenue requirement and Table 12 presents the estimated 1984 income statement reflecting the Applicant's submission and the Commission's adjustments.

Based on the findings in this Order and on the calculation of the additional revenue requirement in Table 13, the Commission concludes that the Applicant has an additional revenue requirement of \$381,000 for the 1984 test year.

TABLE 12  
(\$000)

NORTHERN TELEPHONE LIMITED  
TELEPHONE OPERATIONS  
1984 INCOME STATEMENT

	Exhibit 4 Appendix 1	Commission Adjustments	Commission Revised Income Statement
1. Local Service	12,531		12,531
2. Long Distance Service \$9,426	210	9,636	
3. Miscellaneous Operating	1,721		1,721
4. TOTAL OPERATING REVENUES	23,678		23,888
5. Depreciation	4,044		4,044
6. Customer Services:			
(a) Maintenance	4,193		4,193
(b) Commercial	1,314		1,314
(c) Staff Budget and Results	363		363
7. Traffic	193		193
8. Other	7,256		
- Operating Rents		(14)	
- BIS Division		(135)	
- Sales Division		(33)	7,074
9. TOTAL OPERATING EXPENSES	17,363		17,181
10. NET OPERATING REVENUES	6,315		6,707
11. Income Taxes	2,372		2,573
12. OPERATING INCOME	3,943		4,134
13. Other Income	(8)		(8)
14. NET INCOME before Interest	3,935		4,126
15. Interest Charges	1,662		1,662
16. NET INCOME	2,273		2,464
17. Preferred Dividends	333		333
18. NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	1,940		2,131
19. Rate of Return on Average Common Equity	11.8%		12.9%
20. Rate of Return on Average Total Capital	10.4%		10.9%
21. Average Common Equity	16,473		16,504
22. Average Total Capital	37,939		37,939



TABLE 13  
(\$000)

**NORTHERN TELEPHONE LIMITED  
TELEPHONE OPERATIONS  
1984 TEST YEAR  
ADDITIONAL REVENUE REQUIREMENT**

1. Rate Base	37,939
2. Allowed Rate of Return	<u>11.35%</u>
3. Revenue Requirement before Expenses	4,306
4. Total Income Available	<u>4,126</u>
5. Additional Revenue Requirement before Taxes and Uncollectibles	180
6. Allowance for additional Taxes and Uncollectibles	<u>201</u>
7. Total Additional Revenue Requirement	<u>381</u>
8. Average Rate Increase Required for Services Effected by the Application	3.6%

## 11.0 CONSTRUCTION PROGRAM

### 11.1 Historical Levels of Expenditure

As set out in Table 15, the historical level of construction expenditures for the period 1973 to 1980 has been an average of \$3.0 million per year, expressed in 1971 dollars. This average includes extraordinary expenditures in 1976 and in 1977 for the construction of the Timmins Building Complex.

In the NTL OCT 81 application, the Applicant had planned significant increases in construction expenditures for the 1981 to 1984 period. The anticipated average construction expenditures for those years would have been \$3.4 million per year, expressed in 1971 dollars. These increases in the estimated level were due to the installations of large switches in Timmins and in New Liskeard in 1982 and 1984, and included the effect of completing the rural upgrade program by 1985. It was the Commission's expectation that the level of expenditures would return to the historical construction expenditure level of approximately \$3.0 million per year.

To avoid the burden on the subscribers which would have resulted from the extraordinary expenditures in 1982 and in 1984, the Commission, for rate purposes, normalized the expenditures for the 1982 to 1986 period in Order No. 4151.

In response, NTL modified its construction program for 1982 and revised its plans for future years. In the NTL JUL 82 rate application, the Applicant deferred the large digital installation in New Liskeard to 1985 and delayed the rural upgrade program completion date from 1985 to 1986. The average level of expenditure for the years 1981 to 1984 was therefore reduced to approximately \$3.2 million (1971 dollars) which the Commission accepted for rate making purposes.

In the current rate application, the Applicant has made further changes in its long term construction program to reflect a lower rate of growth than originally anticipated. The New Liskeard installation has been deferred from 1985 to 1987 to reflect lower estimated growth and the Applicant now proposes to complete the rural upgrade program in 1987. However, the Applicant does not expect that this further delay in completion of the rural upgrade program will result in additional capital expenditures. The last stages to complete the work in 1987 will require a relatively small operating expense.

The revised plan for the 1981 to 1984 period show an average of \$2.9 million per year (in 1971 dollars) and an average of \$2.8 million per year (in 1971 dollars) for 1981 to 1986 period. These estimated levels are below the historical level of construction expenditures for the Applicant. This is due largely to the lower expenditures estimated for the years 1983, 1984 and 1985 and the deferral of expenditures brought about by lower expected growth and the continuing effects of the 1982 deferral of the completion of the rural upgrade program.

Given the revised estimates for 1983, 1984 and 1985 and the postponement of the large digital installations in New Liskeard to 1987, the Commission considers that the extraordinary cost of the 1982 digital installation in Timmins has been normalized.

The growth in main stations is one of the principal indicators of demand. Table 16 shows that the growth has declined from an average of 1084 main stations per year in the 1974-1980 period to 786 mains per year in the 1981-1985 estimates.

If growth does not resume, the Commission expects the level of expenditures in constant dollars to remain lower than the historical average. If growth does resume at historical levels, the level of expenditures should return to historical levels.

The Applicant now uses 1981 dollars instead of 1971 dollars to remove the effect of inflation for the purpose of comparing the annual construction program expenditures. A comparison of construction expenditures expressed in 1981 and 1971 dollars is provided in Table 14.

**TABLE 14**

**NORTHERN TELEPHONE LIMITED  
TELEPHONE OPERATIONS  
AVERAGE CONSTRUCTION EXPENDITURES IN CONSTANT DOLLARS**

	1981 Dollars (Million)	1971 Dollars (Million)
Historical levels	\$6.6	\$3.0
Average 1981-1984	6.4	2.9
Average 1981-1986	6.2	2.8

TABLE 15  
(\$000)

NORTHERN TELEPHONE LIMITED  
TELEPHONE OPERATIONS  
CONSTRUCTION EXPENDITURES

	Year	Current Dollars	1971 Dollars	1981 Dollars
	1973	2,813	2,487	
	1974	4,071	3,252	
	1975	3,922	2,869	
	1976	5,353	3,607	
	1977	5,155	3,337	
	1978	4,232	2,543	
	1979	5,829	3,219	
	1980	5,900	2,986	
	Average		<u>3,037</u>	
NTL OCT 81 Rate Application	1981	7,015	3,211	
	1982*	8,768	3,617	
	1983*	7,927	2,987	
	1984*	10,369	<u>3,588</u>	
	Average		<u>3,351</u>	
NTL JUL 82 Rate Application	1981	7,204	3,297	
	1982*	8,061	3,325	
	1983*	8,369	3,153	
	1984*	8,602	<u>2,968</u>	
	Average		<u>3,186</u>	
NTL JUL 83 Rate Application	1981	7,204	3,296	7,204
	1982	7,983	3,294	7,198
	1983*	6,778	2,582	5,644
	1984*	6,912	2,452	5,358
	1985*	7,127	2,361	5,161
	1986*	9,703	<u>3,004</u>	<u>6,565</u>
	Average 1981-84		<u>2,906</u>	<u>6,351</u>
	Average 1981-86		<u>2,832</u>	<u>6,188</u>

\* Estimates

References: NTL FEB 77 - Exhibit 3 Appendix 9  
NTL JAN 80 - Exhibit 1 Section 5  
NTL OCT 81 - Exhibit 2 Section 5  
NTL JUL 82 - Exhibit 1 Section 6  
OTSC14DEC82-314  
OTSC19NOV81-331  
OTSC26JUL83-303  
OTSC23JUL83-304

TABLE 16

NORTHERN TELEPHONE LIMITED  
TELEPHONE OPERATIONS  
TOTAL MAIN STATIONS

Year	Total Mains	Total Main Gain	% Increase
1974	39,965	1,200	
1975	41,242	1,277	3.2
1976	42,286	1,044	2.5
1977	43,280	994	2.4
1978	44,312	1,032	2.4
1979	45,232	920	2.1
1980	46,355	1,123	2.5
1981	47,437	1,082	2.3
1982	48,078	641	1.4
1983	48,800	722	1.5*
1984	49,536	736	1.5*
1985	50,286	750	1.5*

Average 1974 - 1980 - 1084 main station growth  
1981 - 1985 - 786 main station growth

## 11.2 Rural Upgrade Program

### 11.2.1 Status of the Program

In 1977 the Applicant presented a formal rural upgrade program (OTSC18APR77-701) which was based on the following objectives:

1. All multi-party subscribers to be converted to four-party service over the remaining 9 years (1977-1985).
2. Most of the demand for two-party and individual party business and residential service outside the Base Rate Area, also to be met in this period.

The Applicant's program provided for the upgrade of 36,600 subscribers over nine years at a cost of \$4.6 million. The estimates were based on current dollars with no allowance for future inflation. It did not include growth factors since population trends could not be identified. The estimated number of upgrades was to be monitored annually by the Applicant to allow for changes due to demand or customer movement.

\*Estimates

References: NTL NOV 77 Section 1 Appendix 3  
NTL JAN 80 Section 1 Appendix 2  
NTL OCT 81 Section 1 Appendix 2  
NTL JUL 82 Section 1 Appendix 2  
NTL JUL 83 Section 1 Appendix 2



Many changes in estimates have been made over the years and the Applicant now estimates that an estimated 3,800 subscribers will be upgraded over an 11 year period (1977-1987) at a total cost of \$11.5 million. The actual number upgraded by year end of 1982 was 2,116, which represents 56% of the 3,800 candidates for upgrade. This achievement is less than the original estimate in 1977 of 2,506 upgrades by 1982, representing 70% of the 3,600 candidates identified at that time. The remaining upgrades are now scheduled for the 1983-87 period instead of the 1983-85 period.

TABLE 17

NORTHERN TELEPHONE LIMITED  
TELEPHONE OPERATIONS  
RURAL UPGRADE PROGRAM  
ANNUAL OBJECTIVES AND ACTUALS  
1977-1982

CUMULATIVE NUMBER OF UPGRADED SUBSCRIBERS AT YEAR END

Year	Date of Estimate	Estimate		Actual	
		Subscribers	Percent*	Subscribers	Percent*
1977	April 1977	589	16%	281	8%
1978	April 1977	932	26%	338	9%
1979	February 1979	1,371	37%	1,088	29%
1980	February 1980	1,826	49%	1,719	45%
1981	March 1981	2,178	57%	1,944	51%
1982	July 1982	2,275	60%	2,116	56%

\* Cumulative number of subscribers upgraded as a percentage of the total number of estimated upgraded candidates.

Source: OTSC18APR77-701 - OTSC23JUN78, Order 3731 1(g)  
OTSC24JAN80-701, 701B - OTSC27JUN80, Order 3949 1(f)

Table 17 above shows the achievement on a year to year basis. After the slow start in 1977, the Commission stated in Order No. 3731, June 23, 1977:

The Commission is disturbed by the fact that the rural upgrade program has not been given the priority in 1977 that the Commission anticipated as a result of the hearing in 1977. The Commission expects this program to be given the highest priority in 1978 and received assurances from the Company during the hearing that the rural upgrade program will go forward as scheduled and will receive top priority.

11.2.1 Status of the Program (Cont'd)

At the end of 1978, the program was still behind schedule but in response to Commission Orders 3731 and 3949, wherein the Commission stated its expectation that the rural upgrade program would remain on schedule and receive top priority, some catch up occurred due to substantial efforts made by NTL in 1979 and 1980. At the end of 1980, the program was virtually back on its original schedule. However, the program fell behind estimates again in 1981 and in

1982. In 1982, the remaining part of the program was extended to 1986, and in 1983 the estimates were further revised to show that the last upgrades would take place in the first quarter of 1987, some 15 months beyond the original objective made in 1977.

#### 11.2.2 Nature of the Program

The estimated cost of the program has increased \$6.9 million from the original estimate of \$4.6 million to \$11.5 million. Inflation over the period accounts for only a portion of the increase. The specific inflation factors for outside plant expenses are not available. However, by using the composite rate of inflation provided by the Applicant for all classes of plant, it can be determined that inflation accounts for approximately \$2.7 million of the \$6.9 million increase. The remainder of the estimated \$11.5 million represents additional plant.

Over the years, the Commission has inquired into the reasons for the increases in cost estimates other than inflation. The main reason offered by the Applicant is that the original estimates were done on a "broad brush basis", and as the implementation date approaches, a detailed study is done and the final estimates represent more plant than originally anticipated.

In an attempt to separate expenditure for the upgrade program from their outside plant expenditures, the Applicant introduced a new reporting format in 1981. The new report provided a listing of all outside plant expenditures for provisioning outside the base rate boundary, which includes all rural areas where multi-party service is provided. The expenditures were separated into three classes and described in OTSC27JUN80, Order No. 3949 (1f) sheet 1 of 7:

##### 1. RURAL UPGRADE PROGRAM

Rural projects categorized as Rural Upgrade Program are those which provide for the reduction of line loads to 4 subscribers or less, elimination of existing aerial wire facilities presenting maintenance problems, upgrading of service requirements to existing non-urban customers, elimination of joint-use pole attachments and correction of hazardous plant conditions.

##### 2. RURAL GROWTH

Rural growth categorized as Rural Growth involves the provisioning of service to new customers where existing facilities have exhausted. The number of multi-party customers upgraded in these areas is very small, and therefore, is considered incidental to the need to provide for the demands of growth. Examples of projects included in this category are those providing feeder relief to Locality Rate Areas, to major business customers outside of the Base Rate Areas, to major business customers outside of the Base Rate Area, to subdivision developments or those providing cable to a customer demanding upgrade of service in advance of the scheduled Rural Upgrade Program and who is willing to pay a construction charge.

##### 3. UNSERVED TERRITORY

Rural projects categorized as Unserved Territory involve the provision of service to an area in which there is a concentration of customers in which no Outside Plant facilities exist. Areas could contain varying number of cottages, summer residences or a remote townsite established as a result of mining activity. These are non-urban customers whose premises are inside existing exchanges but do not front upon that part of a highway, road or street where facilities already exist.

The stated purpose of the new format was, in the Applicant's words:

The Company has chosen to present the format attacheed, in order for the Commission to see how much the Company will be spending on Rural Projects, as well as how much the Company will spend on the Rural Upgrade Program for the years 1980 to 1985.

The Commission has monitored the expenditures for rural projects resulting from rural growth and for unserved territory and it has found a wide variance in year to year estimates. For example, the July 1982 estimates, provisions for service in unserved territory were estimated at \$245,400 in 1985 and \$116,300 in 1986. In the revised estimates of March 1983, the estimates showed no expenditures in those years. (NTL 83 Exhibit 1, Section 4, Appendix 7, and OTSC27JUN80, Order 3949 1(f).

During the financial hearing, the Commission examined specific rural upgrade projects in order to understand the changes to the estimates. The Commission found that almost all outside plant expenditures beyond the rate base boundary are reported under the rural upgrade program. This includes upgrades, growth for new subscribers as well as for one and two-party service, provisioning for unserved territory, and modernization. The Applicant is in the process of modernizing its outside plant by replacing its facilities. The new installations are mostly buried cable, they are of a sufficient capacity to provide for upgrading to four-party or less per line, provide for future growth for about 15 years and allow for service to unserved areas.

In this respect it is perceived by the Commission that, the Applicant's proposed rural upgrade program has now taken a new dimension since any delays will affect the provision of telephone service for new subscribers and for unserved areas as well as for upgrading to four-party. The new dimension also accounts for the higher estimates of expenditures since the detailed planning takes all requirements into consideration rather than those for upgrading alone.

#### 11.2.3 Completion of the Rural Upgrade Program

To provide a full explanation for the reasons leading to the decision in Section 1.0 of this Order, the Commission has found it necessary to review the history of events surrounding the rural upgrade program from 1977 to the present.

In 1977 the Applicant, upon the request of the Commission, formally presented a rural upgrade program (OTSC18APR77-701) which stated the following objectives.

1. All multi-party subscribers to be converted to four-party service over the remaining 9 years (1977-1985).
2. Most of the demand for two-party and individual party business and residential service outside the Base Rate Area, also to be met in this period.

The Commission, concerned with the length of the program requested the Applicant to make alternate plans for a five year program to make four-party telephone service the minimum level of service throughout the Applicant's territory (OTSC18APR77-702). NTL replied that:

The alternate five year rural program greatly increases the financial and staffing requirements of the Company compared to a ten year program.



The Company's engineering and construction forces are currently effecting the remaining nine year program. The higher costs in earlier periods would likely cause all subscribers to feel the financial and service impacts of an accelerated rural program.

In 1977, the Commission heard from customers through written submissions and during the field hearings that multi-party service was no longer acceptable in NTL's serving territory. Although the Applicant was not ordered to proceed with the five year upgrade program, the Commission was very concerned that the Applicant make significant in-roads on the problem of over crowding on multi-party lines by achieving a maximum lineload service offering of four-party within a reasonable time frame.

It must be noted that, in June, 1977, Bell Canada, which was then the Applicant's parent company, had been ordered by the Canadian Radio-television and Telecommunications Commission (CRTC) to complete the Non-Urban Service Improvement (NUSI) Program within four years (CRTC Telecom Decision 77-7). The CRTC rejected Bell Canada's proposal to complete the NUSI program within five years. As shown in Table 17, NTL was little over half finished with their upgrade program when the Bell Canada NUSI program was completed in 1981.

In 1978, the Commission expressed concern over the Applicant's timing and progress on the upgrade program stating that:

The Commission is disturbed by the fact that the rural upgrade program has not been given the priority in 1977 that the Commission anticipated as a result of the hearing in 1977. The Commission expects this program to be given the highest priority in 1978 and received assurances from the Company during the hearing that the rural upgrade program will go forward as scheduled and will receive top priority. (Order No. 3731, June 23, 1978)

The Commission's expectation was partially based on a statement made by Mr. Cooper, witness for the Applicant, during a financial hearing in June, 1978, that completion of the rural upgrade program by 1985 was "a realistic schedule" and his agreement that the rural program would be "a top priority for 1978". Through 1978, 1979 and 1980 the Applicant's customers began to realize the deferral of the upgrade program and the Commission heard from many of these customers during rate applications.

The Commission continued to monitor the progress of the Applicant and the findings were made in Order No. 3949, June 27, 1980.

The number of written complaints received by the Commission as well as representations made during the field hearings with respect to the quality of service were less numerous than prior years. The Commission remains concerned, however with the fact that many of the complaints are related to multi-party telephone service.

The Applicant has a rural upgrade program underway which will convert all multi-party subscribers to a minimum of four-party service by 1985. The Commission notes that the program is almost on schedule as a result of a substantial effort in 1979 whereby 750 subscribers were upgraded.



The Commission anticipated that the upgrade program would be completed by year end 1985. In fact, during the financial hearing of May 22, 1980, Mr. Cooper made this commitment to the Commission a number of times stating that:

The projections we have made and the submission we have submitted to this Commission shows *we will complete it in 1985*. We submitted that in year-by-year detail.

and

...we see it as a service obligation and *we have made a commitment and we keep making it to the Commission once a year...*" (emphasis added)

Given these and other commitments by Mr. Cooper, it was the Commission's understanding that the upgrade program would be completed within the time-frame promised and therefore, saw no reasons to order the Applicant to complete the program by year end 1985. Nevertheless, the Commission continued to monitor the Applicant's rural upgrade program and although the program was not on schedule, the Applicant continued to hold to the commitment to upgrade all their multi-party customers to at least four-party line service.

The Commission's faith in the Applicant's commitment to complete the program by 1985 is reflected in the Commission's comments, regarding a field hearing in New Liskeard held in 1982.

During the field hearing in New Liskeard, customers complained to the Commission regarding the quality of service and the difficulty experienced in trying to get service repaired promptly and adequately. Mr. Cooper, witness for the Applicant indicated verbally that many of the difficulties and outages experienced by customers would be rectified as the Company's upgrade program was completed. Although the upgrade program to a minimum of four-party service is not planned for completion until December 1985, many of the customers will be provided with better quality and higher grades of service as specific areas of the operating territory are completed. (Order No. 4151, June 9, 1982).

Also in 1982, the Commission became cognizant of the policy of the Government of Ontario and its objective that all customers served by the independent telephone systems achieve a level of basic service not to exceed a lineload of four-parties. The policy was developed in recognition of the fact that rural customers had come to expect four-party service as the minimum level of service acceptable. The target date was set for December 31, 1985 unless varied by the Commission's approval.

The Applicant's last rate application was filed on July 23, 1982. In the application the Applicant showed that the rural upgrade program would not be completed on schedule and that all customers within the NTL serving territory could not expect to receive telephone service with a maximum lineload of four-parties until 1986. The Commission accepted the one year postponement, observing that there was a major recession and some restraint was required. The Commission also expressed their concern in Order No. 4198, dated January 18, 1983, that:

The Commission has closely followed the progress of the Rural Upgrade Program which was to be completed in 1985. The Commission is now concerned with the revised schedule which will extend to 1986. This was done to reduce the overall level of expenditure in the 1982 to 1985 period and it resulted in the deferral of many projects, some of which had been subject to earlier deferrals.

Approximately five months after Order No. 4198 was issued, the Applicant filed the current rate application. NTL proposed to postpone the completion of the upgrade program an additional year until 1987. As outlined in Section 2.0 of this Order, the Commission held three field hearings in the Applicant's territory and received a number of written submissions in response to the proposed rate increase. The Commission has found that most of the complaints and areas of concern dealt with the upgrade program. The Commission heard from individuals frustrated with the repeated postponing of the upgrade program in the areas in which they reside. By way of illustration the Commission has included Tables 18 and 19 which show the situation faced by customers waiting to be upgraded in the Englehart and Earlton areas at various times from the beginning of the rural program in 1977 to its proposed completion. In particular, Table 19 shows that the Applicant, as late as 1979, planned to upgrade all of its Englehart area customers on multi-party service by 1982. The plan currently proposed by the Applicant would see a deferral of the upgrading of these customers to 1987, five years later than the original commitment.

**TABLE 18**

**NORTHERN TELEPHONE LIMITED  
TELEPHONE OPERATIONS  
RURAL UPGRADES - EARLTON AREA  
NUMBER OF SUBSCRIBERS**

YEAR END	DATE OF ESTIMATE						
	APR 1977	FEB 1979	FEB 1980	MAR 1981	JULY 1982	JULY 1983	SEPT 1983
1977	38*	—	—	—	—	—	—
1978	58*	2	2	2	2	2	2
1979	—	54*	9	9	9	9	9
1980	—	—	46*	46	46	46	46
1981	—	—	—	127*	29	29	29
1982	236*	236*	—	—	102*	40	40
1983	30*	30*	184*	184*	61*	—	—
1984	—	—	29*	29*	—	64*	64*
1985	—	—	—	—	152*	152*	214*
1986	—	—	—	—	—	—	—
1987	—	—	—	—	—	—	—

\* Estimate

**Source:** OTSC18APR77-701, OTSC23JUN78 Order 3731 1(g),  
OTSC24JAN80-701, 701B OTSC27JUN80, Order 3949  
1(f), OTSC27JAN80, Order 3949 1(f), NTL 83  
Section 4, Appendix 7, OTSC30SEP83-323,  
OTSC30SEP83-322.

### 11.2.3 Completion of the Rural Upgrade Program (Cont'd)

A five year postponement of such an important project is not reasonable in the view of the Commission and more importantly in the view of the Applicant's customers. During the field hearings the Commission heard from customers who found that telephone service with five or more people per line was no longer adequate in today's society and given the current technology.

The inadequacy of multi-party service was probably best expressed by Mr. David Ramsey, President of the Temiskaming Federation of Agriculture, who thought that when the rural upgrade program is finally completed, four-party service will be obsolete and inadequate for the farmers represented by his Federation, who will require a much more sophisticated level of telecommunications. In this regard, the Commission was pleased to hear Mr. Cooper state that the facilities being installed in conjunction with the upgrade program would be sufficient to provide a one or two-party level of service where required.

The Commission was persuaded by the submission presented by Mr. Ramsey and others: multi-party service can no longer be considered basic service. As noted earlier, almost all telephone customers in Ontario are now provided with telephone service on a maximum lineload of four-parties and many of the telephone systems subject to the Commission's jurisdiction already provide one and two-party telephone service exclusively.

The perception frequently expressed by the Applicant's customers that increases in rates should be related to improvements in service is entirely appropriate in the Commission's view. Certainly where projects have been postponed repeatedly, despite commitments from the Applicant, rate increases cannot be justified. The problem is particularly acute in the Englehart area where, as noted earlier, the Applicant's customers are being told to wait five years past the date the service was promised.

It is not reasonable to require customers on multi-party lines to pay more for a grade of service no longer adequate by today's standards. If the Applicant had held to its commitment to provide a maximum lineload of four-parties by 1985, the current rate application, with the use of a 1984 test year, would display a rural upgrade program almost completed. It would then be feasible to associate an increase in rates with a more acceptable level of service. Unfortunately, this is not the case. Therefore, the Commission has denied any rate increase for multi-party service in this rate application.

In the Commission's view the rural upgrade program is the most important aspect of NTL's construction program. During the financial hearing on November 24, 1983, the Applicant was questioned extensively on its progress and the reasons for the delay. The Commission also examined specific rural projects in order to understand the Applicant's changes to the estimated rural upgrade program expenditures. It was learned that almost all outside plant expenditures outside the base rate boundary are included in the rural upgrade. This expanded definition of the rural upgrade program has been the cause of some confusion and has not aided in an effective monitoring of the upgrade program.

The history of the Applicant's rural upgrade program to date has convinced the Commission that it cannot depend upon the Applicant to meet the commitment which was made to its customers and to the Commission. The reasons for the delay to 1987 as explained by the Applicant are inadequate and not acceptable. The additional expenses which would be incurred in 1986 in order to complete the entire program are relatively insignificant.

TABLE 18

**NORTHERN TELEPHONE LIMITED  
TELEPHONE OPERATIONS  
RURAL UPGRADES - ENGLEHART AREA  
NUMBER OF SUBSCRIBERS**

YEAR END	DATE OF ESTIMATE						
	APR 1977	FEB 1979	FEB 1980	MAR 1981	JULY 1982	JULY 1983	SEPT 1983
1977	206*	89	89	89	89	89	89
1978	—	—	—	—	—	—	—
1979	83*	—	—	—	—	—	—
1980	—	33*	10*	—	—	—	—
1981	—	—	—	—	—	—	—
1982	100*	100*	—	—	—	—	—
1983	—	—	66*	66*	66*	—	—
1984	—	—	—	—	—	—	—
1985	—	—	10*	—	—	—	—
1986	—	—	—	—	—	8*	66*
1987	—	—	—	—	—	77*	77*

\* Estimate

Source: OTSC18APR77-701, OTSC23JUN78 Order 3731 1(g),  
OTSC24JAN80-701, 701B OTSC27JUN80, Order 3949  
1(f), OTSC27JAN80, Order 3949 1(f), NTL 83  
Section 4, Appendix 7, OTSC30SEP83-323,  
OTSC30SEP83-322.

### 11.2.3 Completion of the Rural Upgrade Program (Cont'd)

For all of these reasons the Commission will not accept the postponement of the upgrade program and therefore has ordered the Applicant to provide a maximum of four-party service to its customers by no later than December 31, 1986.

In order to accomplish this review, the Commission has also directed NTL to file a complete and detailed rural upgrade program, within six months of the date of this Order, which will show how all of its customers will be provided with telephone service with a lineload of four-party by December 31, 1986.

The Commission's approval of any future rate application requesting an additional revenue requirement will be conditional upon the Applicant's ability to meet the schedule of the rural upgrade program.



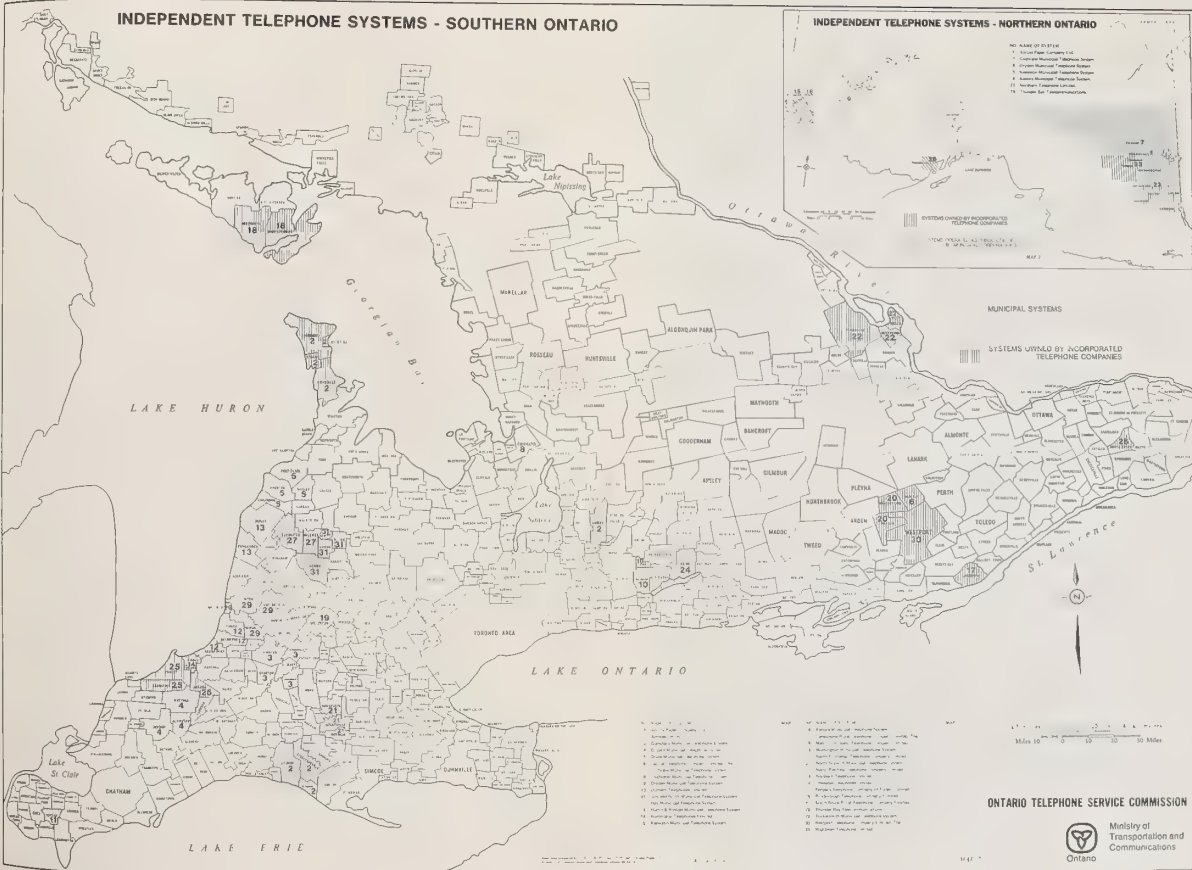
### 11.3 EAS for Timmins, Connaught and Kamiskotia

The issue of EAS between Timmins, Connaught and Kamiskotia was first raised with the Commission briefly during the field hearing in Timmins on October 17, 1983, and later during the financial hearing on November 24, 1983, (see Section 2.0 of this Order). According to Exhibit 5, submitted by Alderman D. Welin and Alderman Krznaric, on behalf of the City of Timmins, the Applicant had committed to providing EAS within the three areas of concern by 1984. The submission requested "...whether there is any the Ontario Telephone Service Commission could assist the residents of Connaught and Kamiskotia in obtaining a firm commitment from Northern Telephone with regard to equipment installation and elimination of long distance charges." The question of whether or not to provide EAS had apparently already been decided and implementation of the decision only awaited the installation of the equipment required to provide EAS. Mr. Cooper explained that the provision of EAS was deferred until 1986 because of higher priorities facing the Applicant, particularly the rural upgrade program and the \$900,200 cost of providing EAS to Timmins for 200 customers. (Timmins, Transcript Page 9). During the financial hearing, Mr. Cooper told the Commission that he had written a letter to the City of Timmins in September outlining the reasons for the deferral of the Connaught-Kamiskotia work until 1986. Although the Commission has not received a copy of this letter, Mr. Cooper's explanation will serve as a firm commitment on behalf of the Applicant to provide EAS between Timmins, Connaught and Kamiskotia by 1986. If, for any reason, the Applicant proposes to defer the provision of EAS past 1986, it will be contingent upon the Applicant to provide an explanation to the Commission by no later than year end 1985.

A handwritten signature in dark ink, appearing to read "V. J. Bialski". The signature is fluid and cursive, with the first name "V." and last name "Bialski" clearly distinguishable.

Chairman

## INDEPENDENT TELEPHONE SYSTEMS - SOUTHERN ONTARIO



ONTARIO TELEPHONE SERVICE COMMISSION

Ministry of  
Transportation and  
Communications









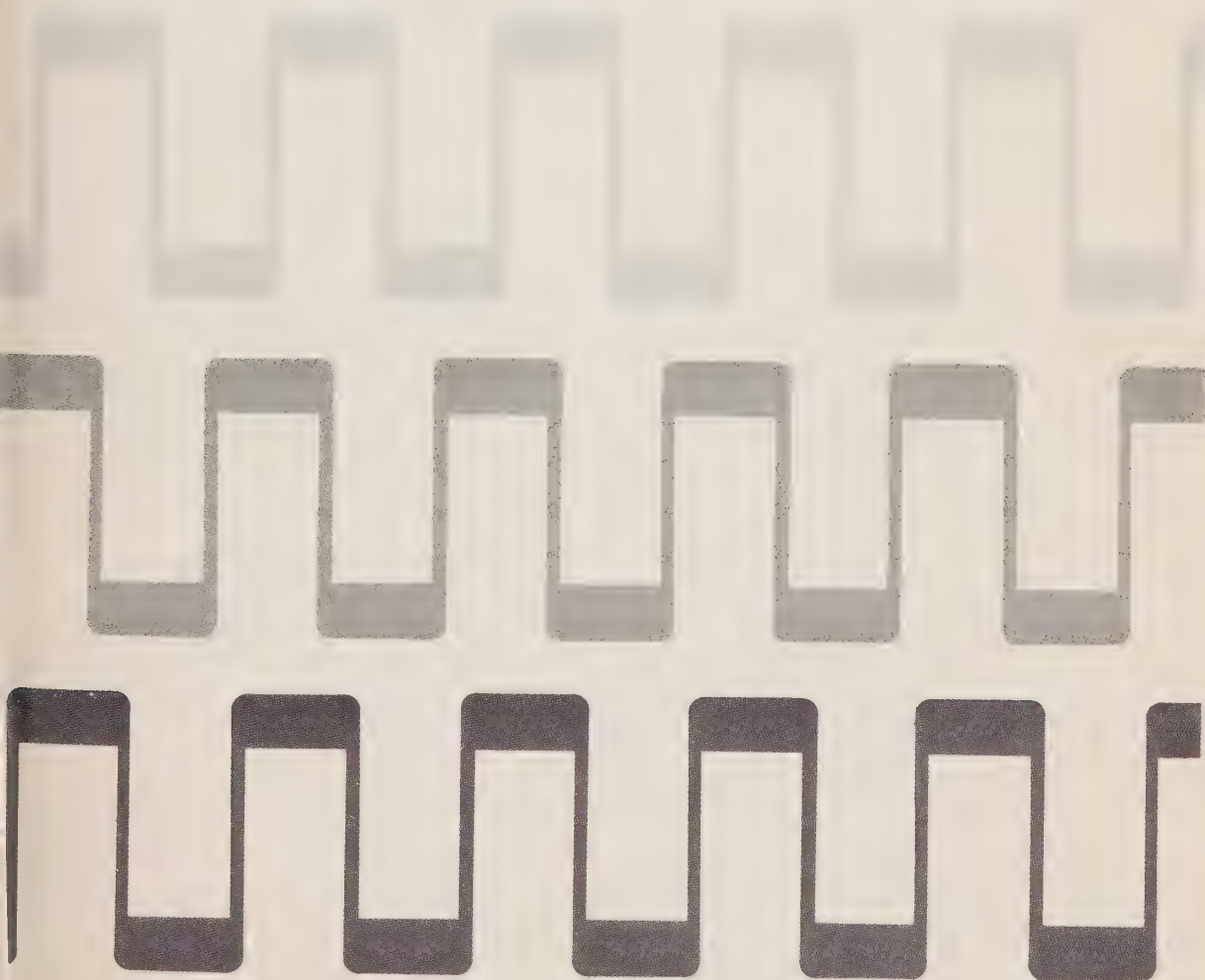
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# ontario telephone service commission

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1984      annual report







Ontario

ALON  
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Ministry of  
Transportation &  
Communications

416/965-2101

Ferguson Block  
Queen's Park  
Toronto Ontario

The Honourable John Black Aird, OC QC BA LL.D  
Lieutenant Governor of Ontario  
Legislative Building  
Queen's Park, Ontario.



MAY IT PLEASE YOUR HONOUR

I beg leave to present the 1984 Annual Report of the Ontario  
Telephone Service Commission for the year ending December 31,  
1984.

Respectfully submitted,

*George R. McCague*  
George R. McCague  
Minister.





Ontario  
Telephone Service  
Commission

Suite 200  
3625 Dufferin  
Downsview  
M3K 1Z2  
416/248-38

February 28, 1985


The Honourable George R. McCague  
Minister of Transportation and Communications  
3rd. Floor, Ferguson Block  
77 Wellesley Street West  
Toronto, Ontario.  
M7A 1Z8


Dear Mr. McCague:

We have the honour to present herewith the Annual Report of the  
Ontario Telephone Service Commission for the year ending December  
31, 1984.


Respectfully submitted,

  
V. W. Bielski, Q.C.  
Chairman

  
R. D. Sloan,  
Vice Chairman

  
D. A. Austin,  
Member

  
G. Klosler,  
Member

  
M. H. Shecter,  
Member.

# *ONTARIO TELEPHONE SERVICE COMMISSION*

## *1984 ANNUAL REPORT*

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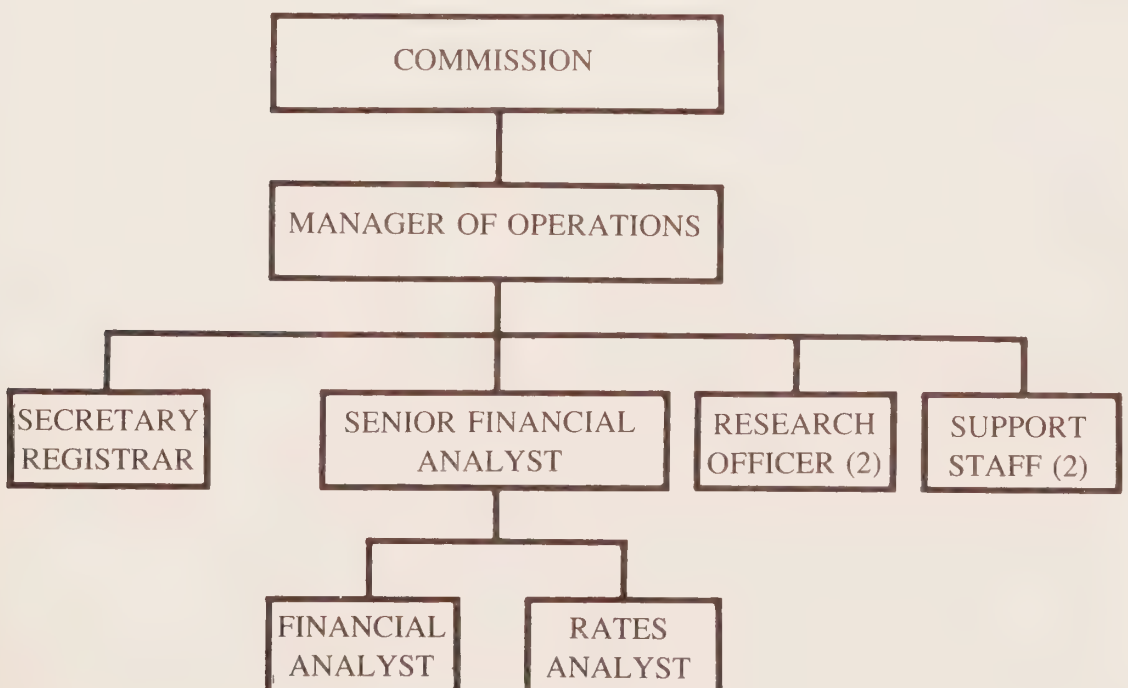
## *1. THE COMMISSION*

The Ontario Telephone Service Commission consists of five members as appointed by the Lieutenant Governor in Council.

Chairman	Mrs. V. W. Bielski, Q.C.
Vice-Chairman	Mr. R.D. Sloan
Member	Mr. D.A. Austin
Member	Mr. G.Klosler
Member	Mr. M. H. Shecter

The Commission is assisted by a staff of ten. The following chart outlines the present organizational structure of the Commission.

### COMMISSION STAFF ORGANIZATIONAL STRUCTURE





The Commissions's governing statute is the Telephone Act, R.S.O. 1980, c.496, as amended by 1983 c.71 and in 1984 the Commission issued 237 Orders.

The following is a summary of the number of Orders issued in respect to the purpose and the section under the Act.

SECTION	NO. OF ORDERS
10 - Previous Order reviewed revoked or amended	14
12 - Sufficiency of rates for incorporated systems	4
14 - Hearing of Public Complaint	1
47 - Sale of Municipal System	1
73 - Date of Annual Meeting of Municipal Telephone System	3
96 - Approval of agreements for interexchange of service between systems	23
102 - Agreements between systems	1
103 - Sale or Transfer of Assets	5
105 - Approval of Telephone Service rates	173
108 - Change in Depreciation Rates	8
109 - Approval to issue stocks, bonds or indebtedness	3
115 - Prescribing filing date of annual returns	1
TOTAL	237

In 1984 the Commission attended 7 meetings and held public regional hearings in Forest, Keene, Timmins and Thunder Bay.

The Commission issued four Orders in 1984 with respect to general rate applications. The following chart shows the disposition of the Orders.

## GENERAL RATE APPLICATIONS

SYSTEM	HEARINGS	INTERVENORS	PETITIONS	ORDER	PERCENTAGE OF INCREASE	
					REQUESTED	RECEIVED
Northern Tel.	Toronto	9	—	4537	8.2%	7.0%
Otonabee Tel.	Keene	50	257 30	4534	18.1%	13.9%
Peoples Tel. Co. of Forest	Forest	34	251	4536	33.5%	7.5%
Thunder Bay	Thunder Bay	43	450 26	4453	11.2%	8.4%

## *CUSTOMER COMPLAINTS AND INQUIRIES*

The Telephone Act gives the Commission jurisdiction to hear complaints and inquiries from customers concerning the quality of service, rates and management policies of their telephone systems.

Telephone systems operate as monopolies in that they have an exclusive right to operate in their service territory. Since telephone systems do not experience competition from other car-

riers, dissatisfied customers cannot take their business elsewhere.

Customers can seek recourse with the Commission should they have a dispute with their telephone system. In 1984 the Commission received approximately 561 individual submissions and complaints and inquiries as well as five petitions containing 1014 signatures.

## *MAJOR ACTIVITIES*

### MISCELLANEOUS EQUIPMENT WORKSHEET

The increased filing of numerous miscellaneous equipment applications has prompted the Commission to review and streamline its procedure with regard to the approval of these filings. The project, which is to begin in early 1985, should allow the Commission to process miscellaneous rate applications more expeditiously without sacrificing the quality of the analysis.

### IN-HOUSE REVIEW

The Commission intends to conduct an in-house review program in order to assist the smaller systems in such matters as implementation of the Uniform System of Accounts, miscellaneous rate filings and general rate applications. It is hoped that an increased level of regulatory review may help alleviate potential problems

especially with the smaller systems as they move towards new formats of regulation. The regulatory environment is such that the Commission cannot be passive if it wishes the Independents to adopt the newer procedures necessary in current regulation. This project is expected to be initiated sometime in 1985.

### UNIFORM SYSTEM OF ACCOUNTS

The Commission is now in the final stages of preparing the annual report form which will be sent to all systems using the Uniform System of Accounts. (U.S.O.A.)

The drafts of the U.S.O.A. annual reports have been reviewed by both the Commission staff and the Accounting Committee of the Ontario Telephone Association. The report is expected to be released in 1985.

## *MAJOR DECISIONS*

### GENERAL RATE APPLICATIONS

#### NORTHERN TELEPHONE LIMITED

The application was filed with the Commission of June 22, 1984, Northern Telephone Limited (Northern) sought \$1,073,000 in additional local service revenues for 1985, based upon a 1985 test year. If the application was approved as filed, this would have required an 8.2% average increase in rates, representing an 8.4% increase in residence access lines and 9.5% increase in business access line.

The filing of the general rate application with the Commission by Northern was followed by a notice of the proposed rates to each of Northern's customers. The notice indicated that intervenors' written submissions were to be filed with the Commission on or before September 4, 1984. The Commission received 9 individual submissions, including resolutions from the Corporation of the Town of Latchford and the Corporation of the City of Timmins. Primarily the intervenors opposed the rate increase proposed by Northern and submitted complaints concerning high line loads, and the lack of extended area service (EAS) to some areas.

Due to the minimal number of submissions, the Commission decided not to hold a regional hearing in the territory served by Northern. A public hearing in Downsview was held at the Commission's office on December 4, 1984.

During the review of the general rate application, the Commission requested replies for approximately 100 interrogatories from Northern. These requests for additional information primarily dealt with the financial aspects of Northern's performance, the rate application as well as its construction program. These interrogatories dealt also with other issues that arose out of the previous application and identified in Commission Order No. 4304 dated December 20, 1983. These issues were costing of business information services, sales division credit, and accounting refinements. The response to these interrogatories facilitated the analysis of the rate application, and culminated with the December 4, 1984 hearing.

On December 21, 1984 the Commission issued Order No. 4537 which approved an additional \$910,000 per annum which represented an average rate increase of 7%.

#### OTANABEE TELEPHONES LTD.

The application was filed on May 14, 1984. The application requested approval of an increase in rates for services, equipment and facilities which would generate an additional \$26,825 in revenue in 1985. This increase, if approved, would represent a 18.1% average rate increase for the services effected.

Otanabee Telephones Ltd. (Otonabee) mailed a Notice of Application dated June 30, 1984 to each of its customers. Customers were invited



to file written submissions with the Commission on or before July 30, 1984. The Commission received 5 written interventions in response to the Notice of Application.

The Commission held a regional hearing in Keene on October 30, 1984. Notice of the hearing was placed in newspapers serving Otonabee's territory two weeks prior to the hearing.

The hearing was attended by approximately 50 customers of Otonabee Telephones Ltd. In addition, 2 petitions opposing the increase due to what the signators perceived as poor quality of service, one made up of 257 signatures and the other of 30, were filed with the Commission. At the hearing customers were invited by the Commission to file their specific quality of service complaints. Thereafter 20 customers provided written submissions to the Commission.

On December 20, 1984, the Commission issued Order No. 4534 which approved an additional \$20,603 per annum which represented an average increase in rates of 13.9%.

#### THE PEOPLE'S TELEPHONE COMPANY OF FOREST LIMITED

The People's Telephone Company of Forest Limited (People's) filed an application for approval of changes in local telephone service rates and non-recurring service charges on March 19, 1984. The application requested approval for an additional \$160,778 in local telephone service revenues and non-recurring service charges based on a historic 1983 test year. This amount would be generated by an overall average increase of 33.57% for residential and business local telephone service rates and non-recurring service charges.

On April 25, 1984, a Notice of Application for Increased Telephone Rates which set out the present and proposed rates was published in

The Forest Standard newspaper. People's also mailed the same notice to each customer with the April, 1984 billing. Written interventions were to be filed with the Commission on or before May 31, 1984. In response to this notice, the Commission received 19 individual submissions. Included in these submissions was a petition of 251 signatures. The Commission directed People's to respond to the submissions. People's responded on an individual basis to the customers that had opposed the proposed increase in individual letters to the Commission. To those customers that had signed the petition, People's mailed a form letter explaining the reasons for the application. Due to the number of responses to the Public Notice, the Commission decided that a public regional hearing in Forest, Ontario was necessary. Notice of the public hearing was placed in The Forest Standard and the Sarnia Observer on September 12 and September 19, 1984. The hearing was held in Forest on September 25, 1984. The Commission heard matters in respect to the quality of service and the financial aspects of the application.

The Commission on December 20, 1984 issued Order No. 4536 which approved an increase of \$36,000 annually which represented an average rate increase of 7.5%.

#### THE CORPORATION OF THE CITY OF THUNDER BAY, TELECOMMUNICATIONS DEPARTMENT

The Corporation of the City of Thunder Bay, Telecommunications Department (Thunder Bay) filed an application for approval of changes in local telephone service rates and non-recurring service charges on January 13, 1984. The application requested approval for an additional \$1,193,076 in local service revenues and non-recurring service charges based on a 1984 test year. This amount would be generated by an overall average increase of 11.5% for residential and business services and 20.0% for non-recurring service charges.

On March 2, 1984, Thunder Bay mailed a Notice of Application to each customer which set out the present and proposed rates. Written interventions were to be filed with the Commission on or before April 9, 1984. The Commission received forty (40) written submissions. Included in these submissions were two petitions of twenty-six (26) and four hundred and fifty (450) signatures.

Due to the number of people responding to the Public Notice, especially in comparison to previous applications, the Commission decided that a public regional hearing in the City of Thunder Bay was necessary. The Commission directed Thunder Bay to respond to the submissions.

Notice of the public hearing to be held in Thunder Bay starting on June 27, 1984 was placed in the Chronicle Times Journal on June 13 and June 20, 1984. The hearing was held on June 27 and June 28, 1984 at 8:00 P.M. and 9:30 A.M. respectively, wherein in turn, the Commission was able to hear matters in respect to the service quality and the financial aspects.

The Commission issued on July 26, 1984 Order No. 4453 which approved an increase in annual revenue of \$913,384 which represented an average rate increase of 8.4%.

## NORTHERN TELEPHONE LIMITED AND CITY OF TIMMINS RELOCATION OF TELEPHONE PLANT

On February 13, 1984 the Commission received a letter from the legal counsel retained by Northern Telephone Limited (Northern) for an application for an Order from the Commission as to the relocation of telephone plant within the City of Timmins. The City of Timmins had undertaken a downtown beautification project which involved the removal of all overhead wires within a specified area of the downtown core.

The dispute involved two issues: first, the actual equipment to be moved and where it would be moved, and second, the division of costs for such a move. The matter had originally been before the Ontario Municipal Board, however, there was some question as to the Board's authority over Northern Telephone Limited in respect to certain matters which it felt were under this Commission's jurisdiction.

A hearing was held in Timmins on April 17, 1984. The Commission reviewed several positions presented by both parties for relocating the telephone plant.

On June 7, 1984 the Commission issued Order No. 4424 which directed Northern to relocate its plant in such a manner as to be out of sight of the areas to be beautified as much as possible. The proposal had been presented as evidence by Northern during the proceedings and appeared to be the most economical method of achieving the City of Timmins' purposes for beautification. The Commission's decision also stated that the allocation of costs was to be determined by the Ontario Municipal Board.

## SALE OF TELEPHONE SYSTEMS

The Commission in Order No. 4360 dated May 23, 1984 approved the sale of the assets of North Norwich Municipal Telephone System to North Norwich Telephones Ltd.

The Capital Telephone Company Limited applied for and received approval in Commission Order No. 4482 dated September 11, 1984 to sell its assets to Bell Canada. The Capital Telephone Company Limited was the smallest Independent in that it only had 300 access lines.

The Commission on October 10, 1984 received an application from the Commissioners for the Telephone System of the Municipality of Bruce (Bruce Municipal Telephone System) for the sale of the assets of the telephone system, to a

company to be formed known as Lakeside Telephones Ltd. The new company is a consortium of the employees of the Bruce Municipal Telephone System, Durham Telephones Limited and Wightman Telephone Limited as well as investors in shares.

The sale was approved by a general meeting of the subscribers, called for the purpose of reviewing various tenders for purchase which had been offered by several interested parties. The sale of the telephone system to the Lakeside consortium was accepted by majority of the subscribers. An application for approval of the sale was filed by the Bruce Municipal Telephone System.

The Commission on November 15, 1984, issued a Notice requesting written comments on the proposed sale. The notice was published in the November 20 and 21, 1984 issues of the various newspapers serving the Bruce Municipal Telephone System area. As a result of the Notice the Commission received 375 responses most of whom supported the approval of the sale to Lakeside Telephones Ltd.. In view of the overwhelming support of the sale, the Commission decided that a hearing was not necessary.

The Commission on December 20, 1984, issued Order No. 4535 which approved the sale of the assets of the Bruce Municipal Telephone System to Lakeside Telephones Ltd..

## C.N.C.P. APPLICATION FOR AN ORDER REQUIRING THE CORPORATION OF THE CITY OF THUNDER BAY TELECOMMUNICATIONS DEPARTMENT TO PROVIDE CERTAIN NON-INTERCONNECTED DISTRIBUTION FACILITIES

In February of 1984 The Corporation of the City of Thunder Bay, Telecommunications Department (Thunder Bay) placed an embargo on certain local distribution facilities to CNCP. CNCP on February 10, 1984 filed an application with the Commission requesting that an Order be issued directing Thunder Bay to provide certain non-interconnected distribution facilities. The Commission, upon reviewing the matter, issued on March 1, 1984, Interim Order No. 4324 directing Thunder Bay to provide to CNCP certain non-interconnected local distribution facilities to the extent that such facilities are available.

## THE CORPORATION OF THE CITY OF THUNDER BAY TELECOMMUNICATIONS DEPARTMENT APPLICATION FOR A NETWORK INTERCONNECTION CHARGE

Thunder Bay on April 2, 1984, filed an application for a Network Interconnection charge. The Commission in response to the application placed a Public Notice regarding the application in the August 15, 1984 issue of the Globe and Mail and in the August 16, 1984 issue of The Chronicle Times Journal in Thunder Bay. In response to the Notice, the Commission received comments from CNCP, Hurontario Telephones Limited and the Ontario Telephone Association.

The Commission will be considering the application in further detail in 1985.



## CLASSIFICATION OF SERVICE: BUSINESS AND RESIDENTIAL

From time to time the Commission is required to make a determination as to the classification of a customer's service. In other words should the customer be classified as a business user or a residence user?

Traditionally business customers have paid more for their telephone line than residential users. This is based on the concept of value of service. As a rule business customers utilize the telephone much more than residential customers. Moreover, since they rely on the telephone for their livelihood, they require a better grade of service and more expedient maintenance and repair of service. Based on their requirements for good service, and their greater volume of telephone usage, business customers pay more for their service.

Occasionally a dispute arises between customers and their telephone systems as to their service classification. The Commission in this instance has developed guidelines to assist both the telephone systems and their customers in determining a service classification. In any case where the dispute cannot be resolved between the two parties, the Commission will issue a decision on the matter.

The guidelines for classification of service are as follows;

### 1. General

The Company classifies a customer's service as business or residence for the application of exchange service rates according to its primary use.

### 2. Business Service

The business classification applies when the service is used primarily or substantially for a commercial, industrial, professional, institutional, vocational or for any purpose other than that of a domestic or family nature.

### 3. General Conditions

Stores  
Offices  
Establishments for manufacturing  
    building  
    servicing  
    financial concerns

Places of — commercial)  
              professional)  
              industrial)

### 4. Special Conditions

The business classification applies in such circumstances as the following:

a) when a directory listing indicates a non-domestic use

b) when a request for a listing in the classified section of the directory is made

c) advertising or publicizing a telephone service with any occupation, except where a customer has a residence phone as well as a business phone, it is assumed that the business service is the one used for business matters and that any business use of the residence service is incidental to the primary



domestic use. A telephone which is used for business purposes on a regular basis and/or which telephone number is advertised for business purposes, is excluded from this exception and the business classification applies

d) (i) in an institution being supplied with telephone service if the name of the institution is used in the listing or any other listing indicating a non-domestic use

(ii) in an institution if the phone is generally used by members, employees, guests or similar persons.

Institutions include educational medical, religious, welfare, charitable or similar establishments including clubs, fraternities, nurses residences and boarding houses.

When the company is applying the residence classification but finds that the business classification is applicable according to the above-mentioned guidelines, it may thenceforth charge the appropriate business rate, upon notifying the customer.

## 5. Residence Service

The residence classification applies when the service is used primarily for domestic or family purposes and none of the above-mentioned guidelines for the business classification exist.

## MILEAGE CHARGES

Many customers do not realize that it is more expensive to provide rural telephone users with service than it is to provide urban telephone users with service. This is because with the greater density of people, it is cheaper to service and maintain urban customers. In a given city block there may be hundreds of customers sharing the telephone facilities. The same area in the country may only serve a fraction of that number. Less users also means less people paying for the provision and the upkeep of the telephone plant.

Most telephone systems have what is called a base rate boundary. This boundary is determined by the telephone company. People within the boundary are treated as urban customers in as much as they reside within close proximity to the central office. Customers outside the base rate boundary are classified as rural customers. Rural customers wishing private or two party service are assessed mileage charges. Telephone systems employ a rate per one quarter mile or every 400 metres, measured from the base rate boundary to the customer's residence. The accumulated mileage rate is then added to that customers monthly billing in addition to the approved rate for private or two-party service. Since private and two-party service requires more resources both in cable and central office equipment than multi-party service, the mileage charge helps recoup some of the funds used in providing that service. The mileage charge will assist in covering the maintenance and replacement of existing and future cable. It will also help cover the cost of repair, which is provided free as part of the service.

Mileage charges are not intended to penalize the rural telephone user. It is instead an equitable method of providing the customer with good service while at the same time allowing for a fair distribution of costs. In this way the telephone system can receive the necessary revenue to ensure that the service is provided at the highest level of quality.

All mileage charges must be filed and approved by the Commission pursuant to section 105 of the Telephone Act R.S.O. 1980 c. 496 as amended by 1983 c. 71.

#### LOCALITY RATE AREAS

Where there is a significant concentration of rural customers outside of the base rate area the telephone system may consider the implementation of a Locality Rate Area. Customers within a Locality Rate Area will pay a surcharge for receiving private or two-party service. In most cases the surcharge is less than the accumulated mileage assessed to customers outside of the base rate area.

All Locality Rate Area charges must be filed and approved by the Commission pursuant to section 105 of the Telephone Act. Part of the processing of an application for approval of a Locality Rate Area involves a customer survey in order to determine the customer interest in providing the Locality Rate Area.

## *REGULATORY ISSUES*

### **RATE UNBUNDLING**

The elimination of the traditional monthly rate for telephone service has necessitated the study of the individual cost components of telephone services. As a result of Order No. 4276 the systems are required to produce a billing which clearly separates the access or network portion of the bill (which remains as a monopoly service) from that of the terminal equipment rental. Unbundling enables the customers to either lease or buy with respect to authorized terminal equipment.

The resultant demise of the traditional monthly rate has also affected the perspective of the old rate base. The Commission now must look at the access rate as the constant rate base and view the rental portion as a variable keeping in mind that it was the intention of this Commission to implement rate unbundling with the least amount of effect on the system's annual revenues and resulting cost to the customer.

Initially the access was determined by subtracting \$.95 from the monthly rate. The \$.95 charge represented the cost attributed to the basic black telephone set based on evidence filed during the Issues Hearing on Terminal Attachment. The remaining portion of the monthly rate is now considered as the access portion of the customers bill. The systems were permitted to file their own applications for unbundled rates provided of course the calculations and assumptions were backed with sufficient supporting information. Several systems filed applications and as a result of the Commission's review of those applications it was determined that many

systems wished to eliminate the differential between basic sets and extension sets. In other words a set is a set regardless of whether it is a primary set or an extension set of exactly the same make and type.

The Commission on November 20, 1984 issued a letter to the systems advising them that the distinction of a monthly rate for the primary telephone set and extension set would be eliminated and that one rate per telephone set would apply. The majority of the systems have applied for a single set rate, although it would appear that many single set renters will be affected by an increase in monthly rates based on this concept. It is expected that Orders directing this change will be in effect early in 1985.

### **MULTI-ELEMENT SERVICE CHARGES**

The Commission in Order No. 4276 encouraged all the systems to replace traditional non-recurring service charge tariffs with a multi-element service charge (M.E.S.C.) format. The Commission received numerous filings which varied from three elements to four elements. The Commission's examination resulted in issuing an order for a four element service charge as all four elements are employed and can be identified in the provision of telephone service. Most of the larger carriers now employ M.E.S.C. to assess charges for telephone installation. M.E.S.C. involves the use of a scale of services and charges in order to determine work costs. The advantage of this method is that it provides a more accurate assessment of installation service charges both to the telephone system and the customer.

There are four factors which make up the M.E.S.C. scale:

- A) Administration Charges
- B) Network Connection Charges
- C) Premise Visit Charges
- D) Premise Work Charges

Customers are charged in accordance with the nature of the work involved.

## INSPECTION AND MODIFICATION

The Commission, in Order No. 4276 permitted, with certain conditions, the attachment of customer provided telephone sets to two and four-party service users. The order stipulated that customers wishing to attach a single line set to a two or four - party line, would have to have it brought to the telephone systems office and inspected to ensure that it was compatible with the telephone system's equipment.

The systems were ordered to file applications for approval of rates for the inspection and modification of sets within ninety days of the date of issue of Order No. 4276. The Commission received various filings, some of which wanted to add inspection and modification rates as part of their Multi-Element Service Charge, some wanted to file inspection and modification as a separate rate and others made filings combining the two.

The Commission approved inspection and modification as a separate non-recurring service charge. The Commission approved inspection and modification as follows:

Inspection

Inspection and Modification

Inspection, Modification, Connection and the appropriate Multi-Element Service Charge for premise work.

Those systems that did not file applications for approval of rates for inspection and modification were required to provide the service free of charge.

## OWNERSHIP OF INSIDE WIRING

There are currently two applications before this Commission filed by customers wishing to own their own inside wiring. As mentioned before the telephone system is still responsible for owning and maintaining all inside wiring. However, the Act, pursuant to section 91 of the Telephone Act, customers may own their own inside wiring with the Commission's approval. The Commission in Order No. 4276 states it clearly that customers may apply to the Commission for permission to own their own inside wiring and indeed some applications have been received. At this present time there has not been an overwhelming interest by the public at large to install their own inside wiring. However, as in the case of terminal attachment, if the Commission received a plethora of applications for the ownership of inside wiring, the issue may have to be reexamined within the larger context of universal ownership of inside wiring.



## APPENDIX (i)

Type of Entity of the Independent Telephone Systems Operating in Ontario in 1984.

	<u>SYSTEMS</u>		<u>TELEPHONES</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
Systems operated as public utilities by municipal corporations	5	17.0	126,161	44.5
Municipal Systems	9	30.0	36,893	13.1
Incorporated companies	16	53.0	119,893	42.4
TOTAL:	30	100.0	282,947	100.0

## APPENDIX (ii)

Size Distribution of the Independent Telephone Systems Operating in Ontario 1984.

<u>No. of Telephones</u>	<u>No of Systems</u>	<u>Percent</u>
0 - 500	0	0.0
501 - 1,000	1	3.0
1,001 - 2,000	11	37.0
2,001 - 3,000	5	17.0
3,001 - 4,000	4	13.0
4,001 - 5,000	3	10.0
5,001 - 10,000	1	3.0
10,001 - 50,000	3	10.0
50,001 - 100,000	2	7.0
	<u>30</u>	<u>100.0</u>

## APPENDIX (iii)

Net growth of the Telephone Industry in Ontario since 1974.

<u>Dec. 31</u>	<u>No. of Systems</u>	<u>No. of Telephones</u>	<u>% Change</u>
1974	40	227,810	5.46
1975	40	240,700	5.66
1976	39	258,161	7.25
1977	36	262,363	1.63
1978	35	274,916	4.78
1979	32	284,288	3.41
1980	31	261,446	(8.03)
1981	31	270,053	3.29
1982	31	274,317	1.60
1983	31	278,619	1.54
1984	30	282,947	1.60

SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1984.

NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	TELEPHONE NUMBERS (A)	OTHER TELEPHONES (B)	TOTAL	TOTAL COMPANY TELEPHONES
3 Abitibi-Price Incorporated	F. R. Robar Electrical Superintendent	Iroquois Falls POK 1E0 (705) 258-3241	Iroquois Falls	760	518	1,278	1,278
3 Amtelecom Incorporated	R. B. Barnard President and General Manager	18 Sydenham Street Aylmer N5H 1L2 (519) 773-8441	Aylmer Cambray Dyer's Bay Lion's Head Port Burwell Stokes Bay Straffordville Tobermory	4,738 655 127 797 630 97 1,041 543	2,544 162 17 235 244 17 381 146	7,282 817 144 1,032 874 114 1,422 689	12,374
2 Blanshard Municipal Telephone System	B. W. Skinner Manager	Kirkton NOK 1K0 (519) 229-8933	Granton Kirkton Sebringville Uniondale	562 965 1,090 426	377 629 593 251	939 1,594 1,683 677	4,893
2 Brooke Municipal Telephone System	E. Chapman Manager	P.O. Box 40 Inwood NON 1K0 (519) 844-2160	Alvinston (S) Inwood Watford (S)	305 493 527	129 224 271	434 717 798	1,949
2 Bruce Municipal Telephone System	J. T. Scurfield Manager	P.O. Box 580 Kincardine NOG 2G0 (519) 396-3322	Kincardine Paisley Port Elgin Tiverton	1,325 3,785 906 3,518 1,149	624 1,848 386 1,540 337	1,949 5,633 1,292 5,058 1,486	13,469
1 Cochrane Public Utilities Commission	R. V. Nichols General Manager Secretary-Treasurer	153 Sixth Avenue P.O. Box 640 Cochrane P0L 1C0 (705) 272-4232	Cochrane	2,209	1,345	3,554	3,554

## SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1984.

NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	TELEPHONE NUMBERS (A)	OTHER TELEPHONES (B)	TOTAL	TOTAL COMPANY TELEPHONES
2 Coldwater Municipal Telephone System	L. Hass Chairman	P.O. Box 202 Coldwater LOK 1E0 (705) 686-3698	Coldwater	900	290	1,190	1,190
1 Dryden Municipal Telephone System	H. B. Hoffstrom Secretary-Treasurer	30 Van Horne Avenue Dryden P8N 2A7 (807) 223-2225	Dryden	3,321	3,167	6,488	6,488
3 Durham Telephones Limited	J. E. Downs General Manager	63 Brule Gardens Toronto M6S 4J5 (416) 767-4042	Cavan Millbrook	369 <u>876</u>	173 <u>566</u>	542 <u>1,442</u>	
2 Gosfield North Municipal Telephone System	J. Helkie Manager	P.O. Box 130 Cottam NOR 1B0 (519) 839-4844	Cottam	1,245 <u>1,137</u>	739 <u>600</u>	1,984 <u>1,737</u>	1,984 <u>1,737</u>
2 Hay Municipal Telephone System	W. H. Wagner Manager and Secretary-Treasurer	P.O. Box 99 Zurich NOM 2T0 (519) 236-4333	Dashwood Grand Bend Zurich	434 <u>1,893</u> <u>998</u>	234 <u>678</u> <u>411</u>	668 <u>2,571</u> <u>1,409</u>	
2 Huron and Kinloss Municipal Telephone System	C. Nicholson Manager	P.O. Box 220 Huron Street Ripley N0G 2R0 (519) 395-2625	Dungannon Ripley	3,325 <u>880</u> <u>1,757</u>	1,323 <u>299</u> <u>685</u>	4,648 <u>1,179</u> <u>2,442</u>	4,648
3 Hurontario Telephones Limited	K. V. Stevens Manager	P.O. Box 59 Thedford NOM 2N0 (519) 296-4926	Port Franks Thedford	2,637 <u>973</u> <u>557</u>	984 <u>348</u> <u>329</u>	3,621 <u>1,321</u> <u>886</u>	3,621
1 Keewatin Municipal Telephone System	J. Ortlieb Wire Chief	P.O. Box 139 Keewatin POX 1C0 (807) 547-2881	Keewatin	1,530 <u>813</u>	677 <u>597</u>	2,207 <u>1,410</u>	2,207 <u>1,410</u>



## SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1984.

	NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	TELEPHONE NUMBERS (A)	OTHER TELEPHONES (B)	TOTAL	TOTAL COMPANY TELEPHONES
1	Kenora Municipal Telephone System	G. Dunford Operating Head	P.O. Box 1110 Kenora P9N 3X7 (807) 468-7046	Kenora	5,255	4,843	10,098	10,098
3	Lansdowne Rural Telephone Company Limited	R. P. Crawford General Manager	P.O. Box 9 Lansdowne K0E 1L0 (613) 659-2222	Lansdowne	1,367	564	1,931	1,931
3	Manitoulin Island Telephone Company Limited	R. B. Barnard General Manager	18 Sydenham Street East Aylmer N5H 1L2 (519) 773-8441	Manitowaning Mindemoya	877 944 1,821	269 376 645	1,146 1,320 2,466	2,466
2	Mornington Municipal Telephone System	E. J. Bay Secretary-Treasurer	16 Mill Street Milverton N0K 1M0 (519) 595-8331	Milverton	1,555	782	2,337	2,337
3	North Frontenac Telephone Corporation Limited	H. J. Schmidt Secretary-Treasurer	P.O. Box 130 Baden N0B 1C0 (519) 634-5300	Parham Sharbot Lake	499 759 1,258	85 186 271	584 945 1,529	1,529
3	North Norwich Telephones Ltd.	K. Stevens Manager	P.O. Box 33 Burgessville N0J 1C0 (519) 424-9801	Burgessville Norwich Woodstock (S) (S)	857 317 294 1,468	383 149 168 700	1,240 466 462 2,168	2,168
3	North Renfrew Telephone Company Limited	W. Vandekemp Manager	P.O. Box 70 Beachburg K0J 1C0 (613) 582-3600	Beachburg Pembroke Westmeath (S)	546 263 345 1,154	213 112 107 432	759 375 452 1,586	1,586

## SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1984.

NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	TELEPHONE NUMBERS (A)	OTHER TELEPHONES (B)	TOTAL	TOTAL COMPANY TELEPHONES
3 Northern Telephone Limited	M. W. Cooper President and Chief Executive Officer	25 Paget Street Box H New Liskeard P0J 1P0 (705) 647-7311	Abitibi Canyon Calstock Cobalt Cochrane (S) Connaught Detour Lake Earlton Elk Lake Englehart Fauquier Gowganda Haileybury Hearst Iroquois Falls Kamiskotia Kapuskasing Kirkland Lake Larder Lake Latchford Matatchewan Matheson Mattice Moonbeam New Liskeard Opasatika Opishong Ramore Smooth Rock Falls South Porcupine Swastika Timmins Virginatown	29	21	50	
				105 893 708 135 13 921 245 1,565 244 71 1,840 2,824 2,051 59 5,094 5,251 439 139 153 722 341 588 3,872 147 12 367 943 3,034 765 15,705 463	63 393 259 38 113 356 76 750 79 33 840 1,723 946 8 3,804 2,501 135 56 57 346 96 214 2,420 55 3 119 565 2,391 322 8,668 183	168 1,286 967 173 126 1,277 321 2,315 323 104 2,680 4,547 2,997 67 8,898 7,752 574 195 210 1068 437 802 6,292 202 15 486 1,508 5,425 1,087 24,373 646	
3 Otonabee Telephones Limited	J. D. Downs General Manager	63 Brule Gdns Toronto M6S 4J5 (416) 767-4042	Keene	49,738	27,633	77,371	77,371
				967	400	1,367	1,367
3 People's Telephone Company of Forest, Limited (The)	W. K. Laughlin Manager	P.O. Box 700 Forest NON 1J0 (519) 786-2351	Aberarder Arkona Forest	680	214	894	
				486 2,257	277 991	763 3,248	
				3,423	1,482	4,905	4,905

## SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1984.

NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	TELEPHONE NUMBERS (A)	OTHER TELEPHONES (B)	TOTAL	TOTAL COMPANY TELEPHONES
3 Roxborough Telephone Company Limited	J. W. Beach Manager	P.O. Box 179 Moose Creek KOC 1W0 (613) 538-2800	Moose Creek	399	203	602	602
3 South Bruce Rural Telephone Company Limited	A. T. McTavish Manager and Secretary-Treasurer	Teeswater NOG 2S0 (519) 392-6873	Mildmay Teeswater	1,097 953	358 345	1,455 1,298	
1 Thunder Bay Telecommunications	A. M. Hawkins Manager	241 Vickers Street South Thunder Bay P7E 1J5 (807) 623-2711	Court Street Current River MacKenzie Murillo Riverview Rosslyn Shuniah Vickers Street	17,919 2,719 762 675 10,948 1,337 7,166 16,759	14,777 1,588 193 278 9,482 709 3,742 15,557	32,696 4,307 955 953 20,430 2,046 10,908 32,316	2,753 2,753
2 Tuckersmith Municipal Telephone System	M. Graham Secretary-Treasurer	R.R. #1 Varna NOM 2R0 (519) 482-9908	Bayfield Clinton (S) Hensall (S) Seaforth (S)	836 359 362 440	307 246 244 255	1,143 605 606 695	104,611
3 Westport Telephone Company	H. A. Lynn Manager	P.O. Box 252 Westport KOG 1X0 (613) 273-2121	Westport	1,997	1,052	3,049	3,049
3 Wightman Telephone Limited	R. Wightman President	P.O. Box 70 Clifford NOG 1M0 (519) 327-8012	Ayton Clifford Gorrie Neustadt	418 605 1,110 336	197 292 591 133	615 897 1,701 469	3,682
TOTAL:				2,469	1,213	3,682	3,682
				174,741	108,206	282,947	282,947

ORDER	DATE ISSUED	APPLICANT	PURPOSE
4305	84 01 03	Northern Telephone Limited	Rate Structure - NTL JUL 83
4306	84 01 09	Otonabee Telephones Limited	Traffic Agreement with Bell Canada
4307	84 01 11	Thunder Bay Telecommunications	Interconnection, change of traffic/System & CNCP
4308	84 01 26	Otonabee MTS	Traffic Agreement - Appendix 2 with Bell Canada Revised
4309	84 02 03	Thunder Bay Telecommunications	Rates - Interim Rate Increase - Denial
4310	84 02 06	Northern Telephone Limited	Traffic Agreement - Appendix B, Sec.VI with O.N.T.C.
4311	84 02 08	Amtelecom Incorporated	Sale and controlling interest to Amt.Group Inc.
4312	84 02 08	Manitoulin Island Tel. Co. Ltd.	Sale and controlling interest to Amt.Group Inc.
4313	84 02 09	Brooke MTS	Security Deposit Charges
4314	84 02 09	Bruce MTS	Non-Recurring Service Charges - increase
4315	84 02 09	Blanshard MTS	Non-Recurring Service Charges - customer provided equipment
4316	84 02 09	Blanshard MTS	Non-Recurring Service Charges - increase
4317	84 02 09	Brooke MTS	Non-Recurring Service Charges - customer provided equipment
4318	84 02 09	Northern Telephone Limited	Interim Order - Two-Tier NTL/People's
4319	84 02 09	People's Tel. Co. of Forest Ltd.	Interim Order - Two-Tier People's/NTL
4320	84 02 15	Amtelecom Incorporated	Revokes Orders 4224 and 4225 dated May 9, 1983
4321	84 02 15	Northern Telephone Limited	Revokes Orders 4186, 4211, 4212, 4213 & 4214
4322	84 02 15	People's Tel. Co. of Forest Ltd.	Rates - Monthly Network Access Charge Mobile Rad.Service
4323	84 02 20	Hay MTS	Rates - Miscellaneous
4324(I)	84 03 01	CNCP Telecommunications/Thunder Bay	Non-Interconnected local distribution services provided
4325	84 03 12	Bruce MTS	Date of Annual Meeting
4326	84 03 12	Coldwater MTS	Extension of filing date for Insp. & Modification
4327	84 04 02	South Bruce Rural Tel. Co. Ltd.	Rates - Miscellaneous equipment and customer services
4328	84 04 02	People's Tel. Co. of Forest Ltd.	Rates - Miscellaneous
4329	84 04 02	Manitoulin Island Tel. Co. Ltd.	Traffic Agreement - LAMA with Bell Canada
4330	84 04 02	Thunder Bay Telecommunications	Interconnection & Interchange Thunder Bay/CNCP Telecom



## (v) COMMISSION ORDERS ISSUED - 1984

ORDER	DATE ISSUED	APPLICANT	PURPOSE
4331	84 04 05	Cochrane P.U.C.	Date of Filing Annual Returns
4332	84 04 05	Brooke MTS	Rates - Miscellaneous rates approved
4333	84 04 10	Amtelcom Incorporated	Rates - Customer Premise Visit Charge
4334	84 04 10	Hay MTS	Rates - Customer Premise Visit Charge
4335	84 04 10	Gosfield North MTS	Rates - Customer Premise Visit Charge
4336	84 04 10	Manitoulin Island Tel. Co. Ltd.	Rates - Customer Premise Visit Charge
4337	84 04 10	People's Tel. Co. of Forest Ltd.	Rates - Customer Premise Visit Charge
4338	84 04 10	Abitibi-Price Incorporated	Rates - Customer Premise Visit Charge
4339	84 04 10	Cochrane P.U.C.	Rates - Customer Premise Visit Charge
4340	84 04 10	Mornington MTS	Rates - Customer Premise Visit Charge
4341	84 04 10	North Frontenac Tel. Co. Ltd.	Rates - Customer Premise Visit Charge
4342	84 04 10	North Norwich MTS	Rates - Customer Premise Visit Charge
4343	84 04 10	North Renfrew Tel. Co. Ltd.	Rates - Customer Premise Visit Charge
4344	84 04 10	South Bruce Rural Tel. Co. Ltd.	Rates - Customer Premise Visit Charge
4345	84 04 10	Tuckersmith MTS	Rates - Customer Premise Visit Charge
4346	84 04 10	Lansdowne Rural Tel. Co. Ltd.	Rates - Off Premises Extension Rates
4347	84 04 10	Manitoulin Island Tel. Co. Ltd.	CRT Supplement Agreement with Bell Canada
4348	84 04 10	Thunder Bay Telecommunications	Rates - Customer Premise Visit Charge
4349	84 04 12	Thunder Bay Telecommunications	Interconnection & Interexchange of Traffic/CNCP
4350	84 04 16	Coldwater MTS	Traffic Agreement - Appendices 1 & 3 with Bell Canada
4351	84 04 16	Durham Telephones Limited	Security Deposit Charges
4352	84 04 16	North Norwich MTS	Date of Annual Meeting
4353	84 04 16	Wightman Telephone Limited	Security Deposit Charges
4354	84 04 16	Brooke MTS	Late Payment Charge on Overdue Accounts
4355	84 04 25	Westport Tel. Co. Ltd.	Non-Recurring Service Charges - customer provided equip. Denial

ORDER	DATE ISSUED	APPLICANT	PURPOSE
4356	84 05 07	Durham Telephones Limited	Non-Recurring Service Charges - customer provided equip. Denial
4357	84 05 07	Lansdowne Rural Tel. Co. Ltd.	Non-Recurring Service Charges - customer provided equip. Denial
4358	84 05 07	Otonabee Telephones Limited	Non-Recurring Service Charges - customer provided equip. Denial
4359	84 05 07	Roxborough Tel. Co. Ltd.	Non-Recurring Service Charges - customer provided equip. Denial
4360	84 05 23	Norwich, Municipality of	Sale of Assets to North Norwich Telephones Ltd.
4361	84 05 23	Coldwater MTS	Rates - Non-recurring Service Charges & Miscellaneous equipment
4362	84 05 23	Hurontario Telephones Limited	Approval of proposed agreement with North Norwich
4363	84 05 23	Hurontario Telephones Limited	Evidence of indebtedness
4364	84 05 23	North Norwich Telephones Ltd.	Remuneration - Free local telephone service for its employees
4365	84 05 23	North Norwich Telephones Ltd.	Agreement - proposed - with Hurontario
4366	84 05 23	North Norwich Telephones Ltd.	Depreciation Rates - approval
4367	84 05 24	Hurontario Telephones Limited	Directory Assistance Charge - (\$0.60)
4368	84 05 24	Thunder Bay Telecommunications	Extension of deadline-Dec.31/84, access charges
4369	84 05 24	Kenora MTS	Extension of deadline-Dec.31/84, access charges
4370	84 05 24	Wightman Telephone Limited	Extension of deadline-Dec.31/84, access charges
4371	84 05 24	Dryden MTS	Extension of deadline-Dec.31/84, access charges
4372	84 05 24	Bruce MTS	Date of Annual Meeting to May 29, 1984
4373	84 05 29	Westport Tel. Co. Ltd.	Rates - Multi-Element Service Charge (MESC)
4374	84 05 29	North Norwich MTS	Rates - Multi-Element Service Charge (MESC)
4375	84 05 29	Lansdowne Rural Tel. Co. Ltd.	Rates - Multi-Element Service Charge (MESC)
4376	84 05 29	Durham Telephones Limited	Rates - Multi-Element Service Charge (MESC)
4377	84 05 29	Tuckersmith MTS	Rates - Multi-Element Service Charge (MESC)
4378	84 05 29	South Bruce Rural Tel. Co. Ltd.	Rates - Multi-Element Service Charge (MESC)
4379	84 05 29	North Frontenac Tel. Co. Ltd.	Rates - Multi-Element Service Charge (MESC)
4380	84 05 29	Wightman Telephone Limited	Rates - Multi-Element Service Charge (MESC)
4381	84 05 29	Manitoulin Island Tel. Co. Ltd.	Rates - Multi-Element Service Charge (MESC)

(v) COMMISSION ORDERS ISSUED - 1984

ORDER	DATE ISSUED	APPLICANT	PURPOSE
4382	84 05 29	Coldwater MTS	Rates - Multi-Element Service Charge (MESC)
4383	84 05 29	Antelecom Incorporated	Rates - Multi-Element Service Charge (MESC)
4384	84 05 29	Northern Telephone Limited	Rates - Multi-Element Service Charge (MESC)
4385	84 05 29	Gosfield North MTS	Rates - Multi-Element Service Charge (MESC)
4386	84 05 29	Otonabee Telephones Limited	Rates - Multi-Element Service Charge (MESC)
4387	84 05 29	Brooke MTS	Rates - Multi-Element Service Charge (MESC)
4388	84 05 29	Huron and Kinloss MTS	Rates - Multi-Element Service Charge (MESC)
4389	84 05 29	Roxborough Tel. Co. Ltd.	Rates - Multi-Element Service Charge (MESC)
4390	84 05 29	North Norwich MTS	Rates - Miscellaneous equipment and customer services
4391	84 05 29	Norwich (Municipality of)	Distribution - Assets of North Norwich MTS amongst subscribers
4392	84 05 30	Antelecom Incorporated	Rates - Inspection and Modification 2 and 4-party line service
4393	84 05 30	Manitoulin Island Tel. Co. Ltd.	Rates - Inspection and Modification 2 and 4-party line service
4394	84 05 30	Gosfield North MTS	Rates - Inspection and Modification 2 and 4-party line service
4395	84 05 30	Brooke MTS	Rates - Inspection and Modification 2 and 4-party line service
4396	84 05 30	Roxborough Tel. Co. Ltd.	Rates - Inspection and Modification 2 and 4-party line service
4397	84 05 30	North Norwich MTS	Rates - Inspection and Modification 2 and 4-party line service
4398	84 05 30	Lansdowne Rural Tel. Co. Ltd.	Rates - Inspection and Modification 2 and 4-party line service
4399	84 05 30	Otonabee Telephones Limited	Rates - Inspection and Modification 2 and 4-party line service
4400	84 05 30	Durham Telephones Limited	Rates - Inspection and Modification 2 and 4-party line service
4401	84 05 30	Kenora MTS	Rates - Inspection and Modification 2 and 4-party line service
4402	84 05 30	Tuckersmith MTS	Rates - Inspection and Modification 2 and 4-party line service
4403	84 05 30	Westport Tel. Co. Ltd.	Rates - Inspection and Modification 2 and 4-party line service
4404	84 05 30	Hay MTS	Rates - Inspection and Modification 2 and 4-party line service
4405	84 05 30	Mornington MTS	Rates - Inspection and Modification 2 and 4-party line service
4406	84 05 30	Northern Telephone Limited	Rates - Inspection and Modification 2 and 4-party line service
4407	84 05 30	Cochrane P.U.C.	Rates - Inspection and Modification 2 and 4-party line service

ORDER	DATE ISSUED	APPLICANT	PURPOSE
4408	84 05 30	Capital Telephone Company Ltd.	Rates - Inspection and Modification 2 and 4-party line service
4409	84 05 30	North Renfrew Tel. Co. Ltd.	Rates - Inspection and Modification 2 and 4-party line service
4410	84 05 30	Wightman Telephone Limited	Rates - Inspection and Modification 2 and 4-party line service
4411	84 05 30	Thunder Bay Telecommunications	Rates - Inspection and Modification 2 and 4-party line service
4412	84 05 30	Coldwater MTS	Rates - Inspection and Modification 2 and 4-party line service
4413	84 05 30	Hurontario Telephones Limited	Rates - Inspection and Modification 2 and 4-party line service
4414	84 05 30	Blanshard MTS	Rates - Inspection and Modification 2 and 4-party line service
4415	84 05 30	Capital Telephone Company Ltd.	Rates - Miscellaneous Equipment Non-Recurring Service Charges
4416	84 05 30	Brooke MTS	Rates - Miscellaneous Equipment Non-Recurring Service Charges
4417	84 05 30	Tuckersmith MTS	Rates - Miscellaneous Equipment Non-Recurring Service Charges
4418	84 05 30	Westport Tel. Co. Ltd.	Rates - Miscellaneous Equipment Non-Recurring Service Charges
4419	84 05 30	North Norwich MTS	Rates - Miscellaneous Equipment Non-Recurring Service Charges
4420	84 05 31	Bruce MTS	Service System Agreement with Bell Canada
4421	84 06 07	Otonabee Telephones Limited	Rates - Multi-Element Service Charge (MESC)
4422	84 06 07	North Renfrew Tel. Co. Ltd.	Traffic Agreement - Appendix 2 with Bell Canada Revised
4423	84 06 07	North Norwich Telephones Ltd.	Traffic Agreement - Appendix 1 with Bell Canada Revised
4424	84 06 07	Northern Telephone Limited	Evidence of Indebtedness / Issue of stock
4425	84 06 07	Huron and Kinloss MTS	Dispute - NTL and the City of Timmins
4426	84 06 07	North Norwich Telephones Ltd.	Rates - Inspection and Modification 2 and 4-party line service
4427	84 06 08	Roxborough Tel. Co. Ltd.	Rate Structure
4428	84 06 14	Cochrane P.U.C.	Rates - Miscellaneous rates approved
4429	84 06 14	Tuckersmith MTS	Rates - Miscellaneous & Non-Recurring Charges
4430	84 06 28	Cochrane P.U.C.	Coin Telephone Charge increase (0.25)
4431	84 07 09	Hay MTS	Extension of deadline-Dec.31/84, access charges
4432	84 07 09	Hay MTS	Rates - Meritor IE Elec. Key System
			Rates - Miscellaneous



## (v) COMMISSION ORDERS ISSUED - 1984

ORDER	DATE ISSUED	APPLICANT	PURPOSE
4433	84 07 10	People's Tel. Co. of Forest Ltd.	Agreement - Interexchange with Hurontario
4434	84 07 10	Hurontario Telephones Limited	Agreement - Interexchange with People's
4435	84 07 12	People's Tel. Co. of Forest Ltd.	Rates - Miscellaneous Equipment
4436	84 07 12	Tuckersmith MTS	Traffic Agreement - Appendix 1 sec.1.1 with Bell Canada Revised
4437	84 07 12	Amtelecom Incorporated	Traffic Agreement - Appendix 2 sec.2.7 with Bell Canada Revised
4438	84 07 12	Coldwater MTS	Rates - Customer Premise Equipment Maintenance charge
4439	84 07 12	Westport Tel. Co. Ltd.	Rates - Customer Premise Equipment Maintenance charge
4440	84 07 12	Roxborough Tel. Co. Ltd.	Rates - Customer Premise Equipment Maintenance charge
4441	84 07 12	Otonabee Telephones Ltd.	Rates - Customer Premise Equipment Maintenance charge
4442	84 07 12	Huron & Kinloss MTS	Rates - Customer Premise Equipment Maintenance charge
4443	84 07 12	Durham Telephones Ltd.	Rates - Customer Premise Equipment Maintenance charge
4444	84 07 12	Dryden MTS	Rates - SL-1S PAX System and Smart Set
4445	84 07 13	People's Tel. Co. of Forest Ltd.	Security Deposit Charge
4446	84 07 13	Amtelecom Incorporated	Deposit Charge
4447	84 07 13	People's Tel. Co. of Forest Ltd.	Rates - N.S.F. Cheque processing charge
4448	84 07 18	Dryden MTS	Rates - Miscellaneous
4449	84 07 18	Dryden MTS	Rates - Customer Premise Equipment Maintenance charge
4450	84 07 20	People's Tel. Co. of Forest Ltd.	Rates - Multi-Element Service Charge (MESC)
4451	84 07 20	Mornington MTS	Rates - Miscellaneous
4452	84 07 24	People's Tel. Co. of Forest Ltd.	Rates - Inspection and Modification 2 and 4-party line service
4453	84 07 26	Thunder Bay Telecommunications	Additional Revenue Requirement and Rate Structure
4454	84 07 31	Wightman Telephone Ltd.	Rates - Coin Telephone Charge - \$0.25.
4455	84 08 02	Northern Telephone Limited	Rates - Amendment to Order No. 4406
4456	84 08 02	People's Tel. Co. of Forest Ltd.	Rates - Amendment to Order No. 4452
4457	84 08 03	Kenora MTS	Rates - Miscellaneous Equipment
4458	84 08 07	Huron and Kinloss MTS	Rates - Miscellaneous Equipment

ORDER	DATE ISSUED	APPLICANT	PURPOSE
4459	84 08 07	Huronario Telephones Ltd.	Rates - Miscellaneous Equipment
4460	84 08 07	Abitibi-Price Incorporated	Rates - Extension of deadline-Dec.31/84, access charges
4461	84 08 10	Durham Telephones Limited	Rates - Miscellaneous
4462	84 08 03	Thunder Bay Telecommunications	Rates - Local Telephone service
4463	84 08 14	Bruce MTS	Rates - Miscellaneous Equipment and Non-recurring service charge
4464	84 08 15	North Renfrew Tel. Co. Ltd.	Rates - Miscellaneous Equipment and Non-recurring service charge
4465	84 08 15	Northern Telephone Limited	Rates - Harmony Touch Tone & Touch Tone Line Feature
4466	84 08 16	Otonabee Telephones Limited	Rates - Miscellaneous Equipment and Non-recurring service charge
4467	84 09 06	Bruce MTS	Rates - Miscellaneous Equipment
4468	84 09 07	Thunder Bay Telecommunications	Rates - Local Telephone Service
4469	84 09 10	North Renfrew Tel. Co. Ltd.	Rates - Miscellaneous Equipment
4470	84 09 11	Brooke MTS	Rates - N.S.F. Cheque Processing Charge
4471	84 09 11	North Frontenac Tel. Co. Ltd.	Rates - N.S.F. Cheque Processing Charge
4472	84 09 11	Capital Telephone Co. Ltd.	Sale of Assets to Bell Canada
4473	84 09 14	Amtelecom Incorporated	Rates - Modular Jack - Installation Rates
4474	84 09 14	Durham Telephones Limited	Rates - Apt. Enterphone and Meritor Key System
4475	84 09 14	Huron and Kinloss MTS	Rates - Miscellaneous Equipment
4476	84 09 14	Keewatin MTS	Rates - Extension of deadline-Dec.31/84, access charges
4477	84 09 14	Manitoulin Island Tel. Co. Ltd.	Rates - Modular Jack - Installation Rates
4478	84 09 14	North Frontenac Tel. Co. Ltd.	Rates - Miscellaneous Equipment and Non-recurring service charge
4479	84 09 14	North Norwich MTS	Data Service Agreement with Northern Telephone Limited
4480	84 09 14	Otonabee Telephones Limited	Rates - Meritor Key System
4481	84 09 14	People's Tel. Co. of Forest, Ltd.	Rates - Depreciation
4482	84 09 14	Thunder Bay Telecommunications	Rates - Miscellaneous Equipment and Non-recurring service charge
4483	84 09 14	Wightman Telephone Limited	Rates - Miscellaneous Equipment and Non-recurring service charge
4484	84 09 14	Hay MTS	Rates - Data Connecting Equipment

## (v) COMMISSION ORDERS ISSUED - 1984

ORDER	DATE ISSUED	APPLICANT	PURPOSE
4485	84 09 14	Coldwater MTS	Rates - Miscellaneous equipment
4486	84 09 25	Blanshard MTS	Rates - Late Payment Charge on Overdue Accounts
4487	84 10 03	Bruce MTS	Rates - Miscellaneous Equipment
4488	84 10 03	Hay MTS	Rates - Miscellaneous Equipment
4489	84 10 03	Huronario Telephones Limited	Rates - Miscellaneous Equipment
4490	84 10 03	Wightman Telephone Limited	Rates - Miscellaneous Equipment
4491	84 10 03	Northern Telephone Limited	Issue of Indebtedness - Six Million Dollars (\$6,000,000)
4492	84 10 05	Dryden M.T.S.	Waive Specific charges for a limited period
4493	84 10 05	Keewatin M.T.S.	Rates - Amendment to Order No. 4476
4494	84 10 05	Northern Telephone Limited	Rates - Amendment to Orders #s 4140, 4177 and 4184
4495	84 10 17	Kenora MTS	Rates - Miscellaneous Equipment and non-recurring service charge
4496	84 10 17	Wightman Telephone Limited	Rates - Data Sets
4497	84 10 17	North Frontenac Tel. Co. Ltd.	Rates - Inspection and Modification 2 and 4-party line service
4498	84 10 18	Keewatin Municipal Telephone System	Rates - Inspection and Modification 2 and 4-party line service
4499	84 10 18	Northern Telephone Limited	Traffic Agreement with O.N.T.C.
4500	84 10 22	North Norwich Telephones Limited	Rates - Miscellaneous Equipment
4501	84 10 23	Hay MTS	Rates - Depreciation
4502	84 10 23	Wightman Telephone Limited	Rates - Ringing Relay
4503	84 10 25	South Bruce Rural Tel. Co. Ltd.	Rates - Locality Rate Area - Carlsruhe and Formosa
4504	84 10 29	Huronario Telephones Limited	Rates - Key System Unit Installation Charge
4505	84 10 29	Huron and Kinloss MTS	Rates - Vantage 12 Electronic Key Telephone System
4506	84 10 29	Dryden MTS	Rates - Ultrakey Telephone Set and Ultra Key Equipment
4507	84 10 29	Coldwater MTS	Rates - Miscellaneous Equipment
4508	84 10 31	Amtelecom Incorporated	Rates - Webcor Zip Two-Line Telephone
4509	84 10 31	Dryden MTS	Rates - Miscellaneous Equipment
4510	84 10 31	Huronario Telephones Limited	Rates - Delphi Telephone Set and Key Service Unit
4511	84 10 31	Northern Telephone Limited	Rates - Special Assemblies

ORDER	DATE ISSUED	APPLICANT	PURPOSE
4512	84 11 05	Northern Telephone Limited	Agreement - Service Station with PUC, Cochrane
4513	84 11 05	Thunder Bay Telecommunications	Rates - I.B.N. Basic Business Rate
4514	84 11 05	Thunder Bay Telecommunications	Rates - O.P.X. Line Cards
4515	84 11 05	Thunder Bay Telecommunications	Traffic Agreement with Bell - App. 2, sec.7
4516	84 11 06	Amtelcom Incorporated	Rates - Misc. equipment for special services
4517	84 11 06	Manitoulin Island Tel. Co. Ltd.	Rates - Misc. equipment for special services
4518	84 11 14	Lansdowne Rural Tel. Co. Ltd	Rates - Depreciation
4519	84 11 23	Keewatin MTS	Rates - Misc. equipment and non-recurring service charges
4520	84 11 23	Mornington MTS	Rates - Misc. equipment and non-recurring service charge
4521	84 11 23	North Norwich Telephones Ltd.	Rate - Misc. equipment
4522	84 11 23	North Norwich Telephones Ltd.	Traffic Agreement with Bell
4523	84 11 23	Keewatin MTS	Rates - Non-Recurring Customer Provided Terminal Equipment
4524	84 11 23	Blanshard MTS	Rates - Miscellaneous Rates
4525	84 11 23	The People's Tel. Co. of Forest, Ltd.	Rates - L.R.A. Surcharges/Kettle Point, Ipperwash, Ravenswood
4526	84 12 11	Coldwater MTS	Rates - Miscellaneous Equipment
4527	84 12 17	Blanshard MTS	Rates - Depreciation
4528	84 12 17	Brooke MTS	Rates - Depreciation
4529	84 12 17	Bruce MTS	Rates - Depreciation
4530	84 12 17	Hurontario Telephones Limited	Rates - Depreciation
4531	84 12 17	Wightman Telephone Limited	Rates - Logic Index Dialer
4532	84 12 18	Wightman Telephone Limited	Rate - "Holding - 4 month maximum"
4533	84 12 19	Coldwater MTS	Rates - Security Deposits
4534	84 12 20	Otonabee Telephones Limited	OTL MAY 84 - Rate Application
4535	84 12 20	Bruce MTS	Sale of assets to Lakeside Telephones Ltd.
4536	84 12 20	People's Tel. Co. of Forest, Ltd.	PTC MAR 84 - Rate Application
4537	84 12 21	Northern Telephone Limited	Rate Structure
4538	84 12 27	Durham Telephones Limited	Depreciation rates





# INDEPENDENT TELEPHONE SYSTEMS - SOUTHERN ONTARIO

## INDEPENDENT TELEPHONE SYSTEMS - NORTHERN ONTARIO

- NO. NAME OF SYSTEM  
1. 100-100-100-100  
2. 100-100-100-100  
3. 100-100-100-100  
4. 100-100-100-100  
5. 100-100-100-100  
6. 100-100-100-100  
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26. 100-100-100-100  
27. 100-100-100-100

SYSTEMS OWNED BY INCORPORATED TELEPHONE COMPANIES

SYSTEMS OWNED BY INCORPORATED TELEPHONE COMPANIES

- NO. NAME OF SYSTEM  
1. 100-100-100-100  
2. 100-100-100-100  
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- NO. NAME OF SYSTEM  
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27. 100-100-100-100

ONTARIO TELEPHONE SERVICE COMMISSION



Ministry of Transportation and Communications









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# Ontario Telephone Service Commission

## Annual Report 1985







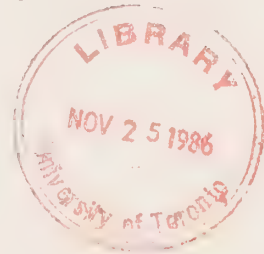
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Ministry of  
Transportation &  
Communications

416/965-2101

Ferguson Block  
Queen's Park  
Toronto Ontario

The Honourable L. M. Alexander, PC, QC, C.St.J, BA  
Lieutenant Governor of Ontario  
Legislative Building  
Queen's Park, Ontario



MAY IT PLEASE YOUR HONOUR

I beg leave to present the 1985 Annual Report of the Ontario  
Telephone Service Commission for the year ending December 31,  
1985.

Respectfully submitted,

A handwritten signature in cursive script, reading "Ed Fulton".

Ed Fulton  
Minister







Ontario  
Telephone Service  
Commission

Suite 200  
3625 Dufferin St.  
Downsview Ontario  
M3K 1Z2  
416/248-3831

December 31, 1985.

The Honourable Ed Fulton  
Minister of Transportation and Communications  
3rd Floor, Ferguson Block  
77 Wellesley Street West  
Toronto, Ontario  
M7A 1Z8

Dear Mr. Fulton:

We have the honour to present herewith the Annual Report of the  
Ontario Telephone Service Commission for the year ending  
December 31, 1985.

Respectfully submitted,

V. W. Bielski, Q.C.  
Chairman

D. A. Austin  
Member

G. Dale  
Member

G. Klosler  
Member

G. C. Rennick  
Member

M. H. Shecter  
Member



# *ONTARIO TELEPHONE SERVICE COMMISSION*

## *1985 ANNUAL REPORT*

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## 1. THE COMMISSION

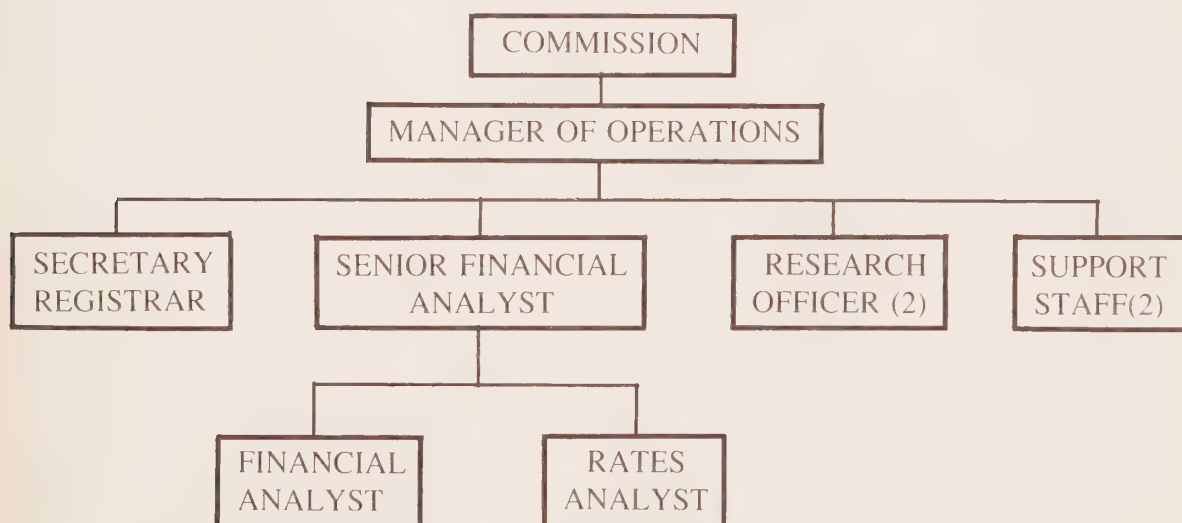
The Ontario Telephone Service Commission is a provincial regulatory body which is responsible for making such orders and giving such direction as necessary for the regulation of thirty telephone systems in Ontario. In 1985 the Commission consisted of a Chairman a vice-chairman and five members, as appointed by the Lieutenant Governor in Council.

Chairman	Mrs. V. W. Bielski, Q.C.
Vice-Chairman	R. D. Sloan
Member	Mr. D. A. Austin
Member	Mrs. G. Dale
Member	Mr. G. Klosler
Member	Mr. G. C. Rennick
Member	Mr. M. H. Schecter

The Commission is assisted by a staff of nine. The following chart outlines the present organizational structure of the Commission.

### COMMISSION STAFF ORGANIZATIONAL STRUCTURE

---





The Commission's governing statute is the Telephone Act, R.S.O. 1980, c.496, as amended by 1983 c.71 and in 1985 the Commission issued 234 Orders.

The following is a summary of the number of Orders issued in respect to the purpose and the section under the Act.

SECTION	NO. OF ORDERS
10 - Previous Order reviewed revoked or amended	14
12 - Sufficiency of rates for telephone systems	2
47 - Sale of municipal system	1
73 - Date of annual meeting of municipal telephone system	1
94 - Customer-owned equipment	3
96 - Approval of agreements for interexchange of service between systems	32
100 - Right-of-way by-law	1
105 - Approval of telephone service rates	177
108 - Change in depreciation rates	3
109 - Approval to issue stocks, bonds or indebtedness	4
115 - Prescribing filing date of annual returns	3
TOTAL	234

In 1985 the Commission attended 16 meetings and held a public regional hearing in Burgessville.

## *CUSTOMER COMPLAINTS AND INQUIRIES*

The Telephone Act gives the Commission the mandate to hear complaints and inquiries from customers concerning the quality of service, rates and management policies of their telephone systems.

Telephone systems have an exclusive right to provide local service in their respective territories. While customers may have no choice as to which system serves them, the

Telephone Act ensures that high quality service is available to all customers from all the telephone systems.

Customers can seek recourse with the Commission should they have a dispute with their telephone system. In 1985 the Commission received approximately 316 individual submissions and complaints and inquiries as well as two petitions containing 370 signatures.

## *MAJOR ACTIVITIES*

### **RULES OF PROCEDURE**

The Commission has, in the past years, tried to conduct its procedures in an informal manner as possible. This was based on the Commission's observation that both the industry and the public appeared intimidated by formal judicial procedures.

However the current regulatory environment is such that the Commission finds it very difficult to continue to function without formal rules of procedure. The cases coming before the Commission are more complex than in the past. The rules of procedure will assist both the industry and the public in filing applications and making representations to the Commission by clearly outlining the matters required for consideration by the Commission.

It is expected that the Rules of Procedure will be introduced sometime in 1986.

### **RURAL UPGRADE PROGRAM**

In 1980 the Ministry of Transportation and Communications issued a discussion paper entitled "A Policy and Legislative Review of the Independent Telephone Industry in Ontario Phase 1 - The Issues". The discussion paper dealt with a variety of concerns, one of which was the disparity of the level of upgraded service from system to system.

In 1982 as a result of the discussion paper, the Ministry issued "A proposed Line Load Standard". The Standard called for all telephone systems in Ontario to offer four party service as basic service as of year-end 1985.

### **GENERAL TARIFF**

On December 18, 1985 the Commission issued a letter to all the independent telephone systems directing them to complete and file a general tariff of rates. The tariff has been divided up into four main sections, one dealing with basic telephone service, a second dealing with equipment offerings, a third with other charges and a fourth section for obsolete rates still on the books, such as Multi-party rates.

The general tariff of rates will show all the details concerning rates and terms and conditions for service and is to be available for the customers to study and review. The Tariff will also assist the telephone systems in their review of their rates and offerings in order to study the financial aspects of rate restructuring. It may also expedite future review and approval procedures. The Systems were all expected to file their rates by January 31st, 1986.

This formal policy would in effect eliminate multi-party service. The Commission was given the responsibility of enforcing that policy and when necessary, to amend the deadline.

The Commission has been monitoring the progress of the upgrade program. Letters were sent in 1983 and again in 1985 advising the independent telephone systems of the Standard and reminding them of their obligations. While most of the systems have managed to complete their upgrading programs by 1985, a few have been given extensions to 1986 based on valid requirements.

## MAJOR DECISIONS

### THUNDER BAY TELECOMMUNICATIONS NETWORK INTERCONNECTION CHARGE

The Commission on November 18, 1985 issued Order No. 4753 in regard to an application filed by Thunder Bay Telecommunications for approval of a Network Interconnection Charge. The application focused on a methodology for compensating Thunder Bay Telecommunications for the use of interconnecting circuits by common carriers providing service to areas outside of Thunder Bay Telecommunications' territory.

A notice of the application was placed in the *Globe and Mail's* Ontario Edition on March 25, 1985. As a result of the notice the following parties filed their notice of intent to participate: Amtelecom Inc., CNCP Telecommunications, "edmonton telephones" Huron-tario Telephones Limited, and the Ontario Telephone Association. After the filing of written evidence and the exchange of written interrogatories, a hearing was held in Toronto commencing July 23, 1985. Final argument of participating parties were required in writing.

During the course of the application it became apparent that several issues were involved:

- The status of Thunder Bay Telecommunications as a local carrier and the nature of the relationship between CNCP and Thunder Bay Telecommunications.
- The nature of the relationship between Thunder Bay Telecommunications and other connecting carriers.
- The status of CNCP with respect to facilities it requires as either a carrier or customer.

- The level of compensation which Thunder Bay Telecommunications is entitled to receive from CNCP.
- The nature of the rate proposed by Thunder Bay Telecommunications.

Upon review of all the evidence filed the Commission concluded in Order 4753 that Thunder Bay Telecommunications when providing local channel facilities to a telecommunications common carrier is entitled to a charge different from that assessed to customers for use of rented local channel facilities. The Commission approved that application in principle but denied the specific compensation requested by the Thunder Bay Telecommunications Network Interconnection charge. The Commission directed Thunder Bay Telecommunications to file rates for facilities used by telecommunications common carriers who have not reached a traffic agreement with Thunder Bay Telecommunications for non-interconnected interexchange services. The rates filed must leave Thunder Bay Telecommunications indifferent as to which long distance carrier provides these services.

### ELIMINATION OF TELEPHONE JACK RENTAL CHARGES

The Commission undertook a review of the charges for the provision of telephone jacks. The Commission noted that the method of charging for jack rentals was not consistent throughout the systems. Moreover the current environment permitting the attachment of customer owned equipment to telephone jacks, prompted the Commission to examine the consequences of eliminating the charge altogether.

The independent telephone systems were



consulted regarding their concern on the matter of the retention of the monthly revenue from the charges. Having analyzed this matter, the Commission found that any loss of revenue could be recovered by the independent telephone systems through an application which would identify the impact from the loss of revenue and proposed the necessary increase to the access charges of the system.

The Commission also assessed the possible impact of this action on the telephone system users. It was noted that if the jack rental charge revenue shortfall was passed on to the customers, the effect was negligible. However, those customers who used to rent their jacks enjoyed a savings in excess of the extra amount passed on to their network access charge. As a result of the Commission's examination and the subsequent applications, the monthly rate for a basic telephone jack has been eliminated from the tariffs on the independent telephone systems.

Those independent telephone systems charging monthly rates for jacks were directed to file their applications with the Commission for the elimination of the jack charge. All such applications which were directed to be filed before the Commission have been dealt with by the Commission.

#### LONG DISTANCE DIRECTORY ASSISTANCE

Prior to Order No. 4701, a customer could make unlimited free use of Long Distance Directory Assistance services. On June 24, 1985 the Commission received an application from Amtelecom Inc. for approval of a rate for Long Distance Directory Assistance (L.D.D.A.) service charge of \$.50 per call to the United States per access line in excess of 250 calls per month.

The application was filed as a result of a substantial increase in L.D.D.A. service calls. The Applicant identified a single user

as the customer responsible for making extensive use of that service for the purpose of preparing mailing lists for its own clients. A copy of the application was forwarded to the customer for comment. The Commission also directed Amtelecom Inc. to place a notice in the local papers advising customers of the application. Aside from that one customer no other comments were received.

While there was no evidence that only one customer was responsible for the increase in L.D.D.A. service in Amtelecom Inc.'s area, the Commission was satisfied that the L.D.D.A. service use had increased dramatically. The increased use of the service convinced the Commission that a rate was warranted to ensure that the telephone system was compensated by heavy users of the service. Order 4701 issued on July 19, 1985 approved the application.

The other independent telephone systems filed their applications in turn and as of year-end 1985 only one system remained without a L.D.D.A. service charge of \$.50 per call per access line per month when the number of such calls exceeds 250 calls per month.

### GENERAL RATE APPLICATIONS

#### NORTHERN TELEPHONE LIMITED

The application as filed on July 5, 1985 requested an additional revenue of \$950,000.00 per annum. The application was amended on August 22, 1985 and the request was increased to \$1,123,000.00 per annum. The additional revenue was revised again, downward on October 22, 1985 to \$1,090,000.00 per annum. The application, if so approved, would have represented an average increase in total local service revenue of 7.9%.

The customers of NTL were sent a notice of the application in their monthly billing. The first notice was issued August of 1985, how-



ever, when NTL revised their revenue requirement upward, a second notice was issued to reflect the impact on rates of the higher annual revenue request.

The Commission received twenty-five submissions including petitions from Mattice-Val Cote and Hearst. Primarily the intervenors opposed the rate increase and submitted complaints concerning line loads, poor service, limited calling areas, direct distance dialing and inwats service.

A hearing was held in Toronto on November 27, 1985. During the hearing the Commission panel heard evidence from Mr. Lou Battocchio, Alderman, Chairman, Administrative Services, City of Timmins. Other aspects of the hearing included the oral evidence from NTL's expert witness on rate of return on common equity and its written evidence with respect to local and toll projections for 1986, construction programs, plans, operating expense estimates and rate structure, as well as NTL's responses to the intervenors' enquiries and complaints.

The Commission issued Order No. 4770 on December 20, 1985 permitting NTL to increase rates to permit an additional \$713,000.00 per annum. The effect of the additional revenue was to increase the average local service rates by 5.24%.

#### NORTH NORWICH TELEPHONES LTD

The application was filed with the Commission on July 2, 1985, seeking \$34,160 in additional local service revenues, representing an overall increase of 13.6% on total local service revenue. This is the first general rate

application to be made by North Norwich Telephones Ltd. The telephone system was purchased in May, 1984 from the North Norwich Municipal Telephone System.

The notice of the application and the proposed rates was sent to each of the Applicant's customers on August 6, 1985. Intervenors' written submissions were to be filed with the Commission on or before September 10, 1985. The Commission received six submissions dealing primarily with the level of the increase.

The Commission held a hearing in Burgessville on November 13, 1985. During the hearing the Applicant's customers raised concerns regarding specific difficulties with their service such as poor reception, no dial tone and problems with the Company's billing system. Several customers also complained that after regular office hours they had to report their troubles on an answering machine. The Commission directed North Norwich to respond to the specific complaints and to report its findings. The week following the hearing North Norwich filed their report concerning the complaints raised by the customers during the hearing. The customers were contacted by the Commission to advise them that corrective action had been taken with regard to their complaint and if they still had problems they were to inform the Commission.

The Commission, on December 24, 1985, issued Order No. 4772 approving the additional revenue requirement of \$34,160.00 which represented an average increase in local rates of 13.6%.

## *REGULATORY ISSUES*

### IN HOUSE REVIEW

The Commission intends to proceed with its plans to conduct on-site monitoring. The on-site visitations allow for interfacing between the system's staff and that of the Commission. In this way the Commission's staff will be afforded the opportunity to view the operating environment of the telephone system, discuss the review areas of mutual concern in order to ensure that the independent telephone system is functioning according to the regulatory guidelines. Discussions would cover approved rate structures, the use of the Uniform System of Accounts, the procedures necessary for the filing of applications and clarification with regard to the Telephone Act. It has been seen that there is a benefit from the on-site presence of a Commission's staff member.

In 1985 the Commission staff conducted five in house reviews.

### CUSTOMER OWNERSHIP OF INSIDE WIRING

When the Commission issued Order No. 4276 in 1983, it held that the independent telephone systems should still retain ownership and control of inside wiring. The Commission conceded that at a later date customer demand may prompt a review of this decision.

The Commission processed three applications from customers wishing to own and maintain their own inside wiring. Interrogatories were sent to the customers in order to acquire more information concerning their proposed installation.

The Commission's review indicated that the Applicants may have had sufficient knowl-

edge to carry out their installations. However the specific approval of these applications would leave much broader issues unresolved. Unlike terminal equipment which is easily tracked and removed, inside wiring is a fixed component within the premises. Valuation of the affected equipment, capital recovery by the systems, accounting and tax treatments and an implementation timetable are all concerns that would have to be addressed. The Commission decided not to approve the individual applications as filed to date.

The Commission's interconnect Order No. 4276 still stands. However, if in the future more applications concerning customer ownership of inside wiring are received, then the issue will be re-examined.

### RESALE OR RESHARE OF SERVICES

The Commission has received some inquiries concerning the matter of resale of telecommunications services. Resale involves the leasing of services from a telephone company by one customer and the resale of part of those services to the customer's clients. The resale of the small user to acquire access to a service that it could not normally afford at a fraction of the rate that the telephone company would charge. The agent leasing the service from the telephone company recoups his revenue by adding a commission or profit to that portion of the service being resold.

Reshare of services is similar in concept. In resharing, several users purchase a service from a carrier. This may serve to their advantage if the cost of the service is prohibitive for one single user. The service once acquired and the associated expenses are shared by all the users.

The issue of resale and resharing of services raises both policy, economic and legal questions. While there may be savings experienced by some users, the regulator would have to assess the overall impact of the resale and reshare on revenues received or lost by the carrier and the effect it would have on local service rates.

While at this time there is only small interest in this issue, the Commission anticipates that the topic may require further study in the near future. To this end the Commission will make an effort to remain cognizant of this matter both from within its jurisdiction and also from outside.

## RATE REBALANCING AND RATE RESTRUCTURING

In 1985 the Commission met with the Ontario Telephone Association in order to listen to their concerns regarding rate rebalancing and rate restructuring. Rebalancing, as experienced in the United States, involved the increase of local service charges and a decrease in long distance charges, without changing the total annual revenue of the telecommunications carrier. Traditionally it has been accepted that long distance service has subsidized local service.

Restructuring involves the process of reviewing rates for all long distance services and revising all or part of that rate structure to accomplish certain corporate goals without affecting the aggregate total revenue.

The independent telephone systems have expressed concern in respect to the impact these rate structures will have on the total revenue and may file applications in order to recoup the losses. It should be noted that the Commission will only consider increases for those independent telephone systems that can demonstrate a negative affect on their financial integrity which has been established by Commission Order or mandated by the Telephone

Act. Any loss of revenue which does not affect this prescribed integrity will not necessarily result in a rate increase.

The Commission's staff will be following any federal applications filed dealing with rate rebalancing or restructuring. Commission staff will also be receiving input from the independent telephone systems.

## LONG DISTANCE COMPETITION

The Commission has been following with interest the developments in applications to compete for message toll service. The concerns the independent telephone systems expressed regarding rate rebalancing applications also apply to new competitors in long distance. The possible affects of long distance competition on the revenues of the independent telephone systems will have to be examined.

## INTERPOSITIONING

The Commission recently reviewed an enquiry concerning a possible case of interpositioning of customer owned equipment with telephone system equipment. This issue has recently been of concern to the independent telephone systems as it may pose maintenance and trouble shooting problems. The issue was not raised during the interconnect hearing and as such was not addressed by the Interconnect Order No. 4276 issued in 1983. The Commission has held as of this date that interpositioning is not permitted since it was not mentioned in Order No. 4276.

Since 1983 the federal Department of Communications (D.O.C.) has developed standards to test equipment. Moreover the Commission is aware that Bell Canada allows D.O.C. certified equipment for interpositioning, provided that it does not harm the system or cause troubles. In light of these new developments the Commission will be examining interpositioning in the not too distant future.

## APPENDIX (i)

Type of Entity of the Independent Telephone Systems Operating in Ontario in 1985.

	SYSTEMS		TELEPHONES	
	No.	%	No.	%
Systems operated as public utilities by municipal corporations	5	16.7	71,535	40.1
Municipal Systems	9	30.0	25,185	14.1
Incorporated companies	16	53.3	81,807	45.8
TOTAL:	30	100.0	178,527	100.0

## APPENDIX (ii)

Size Distribution of the Independent Telephone Systems Operating in Ontario 1985.

No. of Telephones	No. of Systems	Percent (rounded)
0 - 500	1	3.0
501 - 1,000	5	17.0
1,001 - 2,000	10	33.0
2,001 - 3,000	5	17.0
3,001 - 4,000	4	13.0
4,001 - 5,000	1	3.0
5,001 - 10,000	2	7.0
10,001 - 50,000	0	0.0
50,001 - 100,000	2	7.0
	30	100.0



## APPENDIX (iii)

Net growth of the Telephone Industry in Ontario since 1980.

Dec. 31	No. of Systems	*Network Access Lines or Main Telephones	% Change
1980	31	162,887	
1981	31	165,687	1.70
1982	31	167,568	1.10
1983	31	171,421	2.30
1984	30	174,741	2.40
1985	30	178,527	2.20

\*Represents Main Telephones prior to 1985.



SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1985.

NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	NETWORK ACCESS LINES	TELEPHONES AND OTHER EQUIPMENT	TOTAL ACCESS LINES	TOTAL
3 Abitibi-Price Incorporated	F. R. Robar Electrical Superintendent	Iroquois Falls POK 1EO (705) 258-3241	Iroquois Falls	759	599	759	759
3 Antelecom Incorporated	D. W. Ingram President and General Manager	18 Sydenham Street Aylmer N5H 1L2 (519) 773-8441	Aylmer Cambray Dyer's Bay Lion's Head Port Burwell Stokes Bay Straffordville Tobermory	4,764 674 162 875 639 105 1,032 573	7258 857 182 1,114 887 123 1,417 738	4764 674 162 875 639 105 1,032 573	
2 Blanshard Municipal Telephone System	B. W. Skinner Manager	Kirkton NOK 1KO (519) 229-8933	Granton Kirkton Sebringville Uniondale	569 965 1,115 441	953 1,588 1,754 671	569 965 1,115 441	8,824
2 Brooke Municipal Telephone System	E. Chapman Manager	315 Park Street Dresden NON 1KO (519) 683-2055	Alvinston (S) Inwood Watford (S)	3,090 173 306 304	4,966 435 730 811	3,090 173 306 304	3,090
2 Bruce Municipal Telephone System	J. T. Scurfield Manager	P.O. Box 580 Kincardine NOG 2G0 (519) 396-3322	Kincardine Paisley Port Elgin Tiverton	783 3,789 889 3,524 1,161	1976 5,796 1284 4,898 1,336	783 3,789 889 3,524 1,161	783
1 Cochrane Public Utilities Commission	R. V. Nichols General Manager Secretary-Treasurer	153 Sixth Avenue P.O. Box 640 Cochrane P0L 1C0 (705) 272-4232	Cochrane	2,307	1,340	2,307	2,307
				9,363	13,314	9,363	9,363

NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	NETWORK ACCESS LINES	TELEPHONES AND OTHER EQUIPMENT	TOTAL ACCESS LINES	TOTAL
2 Coldwater Municipal Telephone System	I. Murray Manager	P.O. Box 202 Coldwater LOK 1E0 (705) 686-3698	Coldwater	950	1220	950	950
1 Dryden Municipal Telephone System	J. C. Callan Secretary and Business Manager	30 Van Horne Avenue Dryden P8N 2A7 (807) 223-2225	Dryden	3,476	6,380	3,476	3,476
3 Durham Telephones Limited	J. E. Downs General Manager	63 Brule Gardens Toronto M6S 4J5 (416) 767-4042	Cavan Millbrook	385 907	582 1,488	385 907	
2 Gosfield North Municipal Telephone System	J. Helkie Manager	P.O. Box 130 Cottam NOR 1B0 (519) 839-4844	Cottam	1,292 1,169	2,070 626	1,292 1,169	1,292 1,169
2 Hay Municipal Telephone System	W. H. Wagner Manager and Secretary-Treasurer	P.O. Box 99 Zurich NOM 2T0 (519) 236-4333	Dashwood Grand Bend Zurich	445 2,004 1,041	703 2,656 1,467	445 2,004 1,041	
2 Huron and Kinloss Municipal Telephone System	C. Nicholson Manager	P.O. Box 220 Huron Street Ripley NOG 2R0 (519) 395-2625	Dungannon Ripley	3,490 892 1,789	4,826 1,227 2,521	3,490 892 1,789	3,490
3 Hurontario Telephones Limited	K. V. Stevens Manager	P.O. Box 59 Thedford NOM 2N0 (519) 296-4926	Port Franks Thedford	1,017 576	1,319 854	1,017 576	
1 Keewatin Municipal Telephone System	J. Ortlieb Wire Chief	P.O. Box 139 Keewatin POX 1C0 (807) 547-2881	Keewatin	1,593 866	2,193 639	1,593 866	1,593 866

SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1985.

	NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	NETWORK ACCESS LINES	TELEPHONES AND OTHER EQUIPMENT	TOTAL ACCESS LINES	TOTAL
1	Kenora Municipal Telephone System	G. Dunford Operating Head	P.O. Box 1110 Kenora P9N 3X7 (807) 468-7046	Kenora	4,458	10,270	4,458	4,458
3	Lansdowne Rural Telephone Company Limited	R. P. Crawford General Manager	P.O. Box 9 Lansdowne KOE 1L0 (613) 659-2222	Lansdowne	1,404	1,963	1,404	1,404
3	Manitoulin Island Telephone Company Limited	D. W. Ingram General Manager	18 Sydenham Street East Aylmer N5H 1L2 (519) 773-8441	Manitowaning Mindemoya	938 980	1,218 1,358	938 980	1,918
2	Mornington Municipal Telephone System	E. J. Bay Secretary-Treasurer	16 Mill Street Milverton NOK 1M0 (519) 595-8331	Milverton	1,593	757	1,593	1,593
3	North Frontenac Telephone Corporation Limited	H. J. Schmidt Secretary-Treasurer	P.O. Box 130 Baden NOB 1G0 (519) 634-5300	Parham Sharbot Lake	534 810	82 211	534 810	1,344
3	North Norwich Telephones Ltd.	K. V. Stevens Manager	P.O. Box 33 Burgessville NOJ 1C0 (519) 424-9801	Burgessville Norwich (S) Woodstock (S)	857 327 313	1,257 472 474	857 327 313	1,497
3	North Renfrew Telephone Company Limited	W. Vande Kemp Manager	P.O. Box 70 Beachburg K0J 1C0 (613) 582-3600	Beachburg Pembroke (S) Westmeath	443 188 254	767 381 392	443 188 254	885

## SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1985.

NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	NETWORK ACCESS LINES	TELEPHONES AND OTHER EQUIPMENT	TOTAL ACCESS LINES	TOTAL
3 Northern Telephone Limited	M. W. Cooper President and Chief Executive Officer	25 Paget Street Box H New Liskeard POJ lPO (705) 647-7311	Abitibi Canyon Calstock Cobalt Cochrane (S) Connaught Detour Lake Earlton Elk Lake Englehart Fauquier Gowganda Haileybury Hearst Iroquois Falls Kamiskotia Kapuskasing Kirkland Lake Larder Lake Latchford Matachewan Matheson Mattice Moonbeam New Liskeard Opasatika Opishing Ramore Smooth Rock Falls South Porcupine Swastika Timmins Virginiatown	28 98 896 721 152 19 945 244 1,628 243 73 1,897 2,979 2,091 64 5,249 5,350 455 147 188 747 345 614 4,015 150 14 378 961 3,153 819 16,367 466	50 153 1239 994 193 123 1278 315 2327 323 99 2655 4,486 2,886 70 8,720 7,367 588 195 244 1,046 444 810 6,273 203 15 492 1546 4,694 1,054 23,079 641	28 98 896 721 152 19 945 244 1,628 243 73 1,897 2,979 2,091 64 5,249 5,350 455 147 188 747 345 614 4,015 150 14 378 961 3,153 819 16,367 466	51,496 1,012
3 Otonabee Telephones Limited	J. D. Downs General Manager	63 Brule Gdns Toronto M6S 4J5 (416) 767-4042	Keene	51,496 1,012	74,602 1,477	51,496 1,012	51,496 1,012
3 People's Telephone Company of Forest, Limited (The)	R. K. Sutherland Manager	P.O. Box 700 Forest NON 1J0 (519) 786-2351	Aberarder Arkona Forest	684 492 2,331 3,507	894 765 3,304 3,304	684 492 2,331 3,507	3,507

SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1985.

NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	NETWORK ACCESS LINES	TELEPHONES AND OTHER EQUIPMENT	TOTAL ACCESS LINES	TOTAL
3 Roxborough Telephone Company Limited	J. W. Beach Manager	P.O. Box 179 Moose Creek KOC 1W0 (613) 538-2800	Moose Creek	330	610	330	330
3 South Bruce Rural Telephone Company Limited	L. E. Hale Manager	Teeswater NOG 2S0 (519) 392-6807	Mildmay Teeswater	974 1,113 2,087	384 394 798	974 1,113 2,087	384 1,113 2,087
1 Thunder Bay Telecommunications	S. Hacio Manager	241 Vickers Street South Thunder Bay P7E 1J5 (807) 623-2121	Court Street Current River MacKenzie Murillo Riverview Rosslyn Shuniah Vickers Street	18,659 2,776 793 696 11,258 1,450 7,344 17,452 60,428	33,578 4,428 980 991 20,649 2,173 10,988 33,122 106,909	18,659 2,0876 793 696 11,258 1,450 7,344 17,452 60,428	18,659 2,0876 793 696 11,258 1,450 7,344 17,452 60,428
2 Tuckersmith Municipal Telephone System	M. Graham Secretary-Treasurer	R.R. #1 Varna NON 2R0 (519) 482-9908	Bayfield Clinton Hensall Seaforth	885 363 368 450	1,166 586 601 703	885 363 368 450	885 363 368 450
3 Westport Telephone Company	H. A. Lynn Manager	P.O. Box 252 Westport KOG 1X0 (613) 273-2121	Westport	2,066 1,392	3,056 1,814	2,066 1,392	2,066 1,392
3 Wightman Telephone Limited	R. Wightman President	P.O. Box 70 Clifford NOG 1N0 (519) 327-8012	Ayton Clifford Gorrie Neustadt	422 595 1,119 331 2,467 178,527	185 275 601 131 1,192 269,837	422 595 1,119 331 2,467 178,527	185 275 601 131 2,467 178,527
TOTAL:							



NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	NETWORK ACCESS LINES	TELEPHONES AND OTHER EQUIPMENT	TOTAL ACCESS LINES	TOTAL
		GROUPS:					
	1.	Systems established under The Telephone Act by municipal corporations and operated as public utilities.					
	2.	Systems established under The Telephone Act by, and vested in municipal corporations in trust for the benefit of the subscribers and operated by the municipal council or by a commission elected by the subscribers.					
	3.	Incorporated companies.					

## (v) COMMISSION ORDERS ISSUED - 1985

ORDER	DATE ISSUED	APPLICANT	PURPOSE
4569	85 01 28	South Bruce Rural Tel. Co. Ltd.	Rates - Unbundling
4570	85 01 28	Thunder Bay Telecommunications	Rates - Unbundling
4571	85 01 28	Tuckersmith MTS	Rates - Unbundling
4572	85 01 28	Westport Telephone Co. Ltd.	Rates - Unbundling
4573	85 01 28	Wightman Telephone Limited	Rates - Unbundling
4574	85 01 28	Huron and Kinloss MTS	Rates - Customer Premises Visit Charge
4575	85 01 28	Dryden MTS	Rates - Contemprette Telephone Set
4576	85 01 28	Northern Telephone Limited	Rates - Kamiskotia and Connaught
4577	85 01 30	Thunder Bay Telecommunications	Rates - Miscellaneous equipment
4578	85 01 30	Huron and Kinloss MTS	Rates - Miscellaneous equipment
4579	85 01 30	Durham Telephones Limited	Rates - Enterphone & Meritor
4580	85 01 30	Otonabee Telephones Ltd.	Rates - Meritor
4581	85 01 30	Coldwater MTS	Rates - Meritor
4582	85 01 30	Thunder Bay Telecommunications	Rates - KR-635A, Multi-Position Jack
4583	85 01 30	Dryden MTS	Rates - Miscellaneous equipment
4584	85 02 06	Hay MTS	Rates - Guaranteed Rate Coin Telephone Service
4585	85 02 06	Bruce MTS	Rates - NSF Cheque Processing Charge
4586	85 02 06	Kenora MTS	Rates - Unbundling
4587	85 02 07	Dryden MTS	Rates - Unbundling
4588	85 02 08	Amtelecom Inc.	Traffic Agreement, App. 1, secs. 1.3, 1.4 with Bell Canada
4589	85 02 08	Bruce MTS	Approval-Rights of way By-laws (Tiverton, Arran, Geenock, H & K)
4590	85 02 08	Huron & Kinloss MTS	Rates - Mileage Charges
4035	81 01 29	Lansdowne Rural Tel. Co. Ltd.	Traffic Agreement, Supplement #13 with Bell Canada
4591	85 02 13	Amtelecom Inc.	Traffic Agreement, App. 2, sec. 2.7, 2.10 with Bell Canada
4592	85 02 13	Brooke MTS	Traffic Agreement, App. 2, sec. 2.7, 2.10 with Bell Canada
4593	85 02 13	Bruce MTS	Traffic Agreement, App. 2, sec. 2.7, 2.10 with Bell Canada
4594	85 02 13	Durham Telephones Limited	Traffic Agreement, App. 2, sec. 2.7, 2.10 with Bell Canada
4595	85 02 13	Hay MTS	Traffic Agreement, App. 2, sec. 2.7, 2.10 with Bell Canada
4596	85 02 13	Huron and Kinloss MTS	Traffic Agreement, App. 2, sec. 2.7, 2.10 with Bell Canada
4597	85 02 13	Hurontario Telephones Limited	Traffic Agreement, App. 2, sec. 2.7, 2.10 with Bell Canada

ORDER	DATE ISSUED	APPLICANT	PURPOSE
4598	85 02 13	Keewatin MTS	Traffic Agreement, App. 2, sec. 2.7, 2.10 with Bell Canada
4599	85 02 13	Lansdowne Rural Tel. Co. Ltd.	Traffic Agreement, App. 2, sec. 2.7, 2.10 with Bell Canada
4600	85 02 13	Manitoulin Island Tel. Co. Ltd.	Traffic Agreement, App. 2, sec. 2.7, 2.10 with Bell Canada
4601	85 02 13	Mornington MTS	Traffic Agreement, App. 2, sec. 2.7, 2.10 with Bell Canada
4602	85 02 13	North Norwich Telephones Ltd.	Traffic Agreement, App. 2, sec. 2.7, 2.10 with Bell Canada
4603	85 02 13	North Renfrew Telephone Co. Ltd.	Traffic Agreement, App. 2, sec. 2.7, 2.10 with Bell Canada
4604	85 02 13	Otonabee Telephones Ltd.	Traffic Agreement, App. 2, sec. 2.7, 2.10 with Bell Canada
4605	85 02 13	People's Tel. Co. of Forest Ltd.	Traffic Agreement, App. 2, sec. 2.7, 2.10 with Bell Canada
4606	85 02 13	South Bruce Rural Tel. Co. Ltd.	Traffic Agreement, App. 2, sec. 2.7, 2.10 with Bell Canada
4607	85 02 13	Thunder Bay Telecommunications	Traffic Agreement, App. 2, sec. 2.7, 2.10 with Bell Canada
4608	85 02 13	Tuckersmith MTS	Traffic Agreement, App. 2, sec. 2.7, 2.10 with Bell Canada
4609	85 02 13	Westport Telephone Co. Ltd.	Traffic Agreement, App. 2, sec. 2.7, 2.10 with Bell Canada
4610	85 02 13	Wightman Telephone Limited	Traffic Agreement, App. 2, sec. 2.7, 2.10 with Bell Canada
4611	85 02 14	Thunder Bay Telecommunications	Traffic Agreement, App. 2, sec. 2.7, 2.10 with Bell Canada
4612	85 02 14	Dryden MTS	Traffic Agreement, of Rev.App.1, sec. 1.3 with Bell Canada
4613	85 02 14	Hurontario Telephones Limited	Rates - Miscellaneous Equipment
4614	85 02 14	Hurontario Telephones Limited	Rates - Extra Long Coil Cord
4615	85 02 14	North Norwich Telephones Ltd.	Rates - Key System/PABX Touch Tone Line
4616	85 02 14	Northern Telephone Limited	Rates - Key System/PABX Touch Tone Line
4617	85 02 18	People's Tel. Co. of Forest Ltd.	Rates - Depreciation and inclusion of True-up amounts
4618	85 02 19	Northern Telephone Limited	Amendment to Order No. 4545, secs. 2.1 and 2.2
4619	85 02 19	Northern Telephone Limited	Rates - Radio Paging Services
4620	85 02 19	Northern Telephone Limited	Rates - Direct Inward Dialing Services
4621	85 02 22	North Norwich Telephones Ltd.	Rates - Direct Inward Dialing Access Feature
4622	85 03 01	People's Tel. Co. of Forest Ltd.	Rates - Sales Campaign - Touch Tone Line
4623	85 03 08	Hay MTS	Amendment to Order No. 4567, section 1.0.
4624	85 03 11	Blanshard MTS	Directory Assistance charge - (\$0.60)
4625	85 03 11	Coldwater MTS	Traffic Agreement-App. 2 secs.2.7 and 2.10 with Bell Canada
4626	85 03 11	Dryden MTS	Traffic Agreement-App. 2 secs.2.7 and 2.10 with Bell Canada
4627	85 03 11	Huron and Kinloss MTS	Traffic Agreement-App. 1 secs.1.3 and 1.4 with Bell Canada

## (v) COMMISSION ORDERS ISSUED - 1985

ORDER	DATE ISSUED	APPLICANT	PURPOSE
4628	85 03 11	Kenora MTS	Traffic Agreement-App. 2 secs.2.7 and 2.10 with Bell Canada
4629	85 03 12	Northern Telephone Limited	Rates - Amendment to Order No. 4618 - Radio Paging Services
4630	85 03 12	Northern Telephone Limited	Rates - Amendment to Order No. 4542 - Local Telephone Service
4631	85 03 14	Dryden MTS	Rates - Miscellaneous Equipment
4632	85 03 15	Bruce MTS	Date of Annual Meeting
4633	85 03 29	Edward T. Hallin	Approval to own and install inside wiring
4634	85 03 29	Arthur McMurray	Approval to own and install inside wiring
4635	85 03 29	Donald McMurray	Approval to own and install inside wiring
4636	85 04 10	Cochrane P.U.C.	Date of filing Annual Returns
4637	85 04 15	Thunder Bay Telecommunications	Rates - Miscellaneous Equipment
4638	85 04 15	Thunder Bay Telecommunications	Rates - Miscellaneous Equipment
4639	85 04 15	Thunder Bay Telecommunications	Rates - Miscellaneous Equipment
4640	85 04 15	Brooke MTS	Rates - Miscellaneous Equipment
4641	85 04 15	Hurontario Telephones Limited	Amendment to Order No. 4613
4642	85 04 15	Dryden MTS	Rates - Miscellaneous Equipment
4643	85 04 22	Durham Telephones Limited	Rates - Miscellaneous Equipment
4644	85 04 22	Otonabee Telephones Ltd.	Rates - Miscellaneous Equipment
4645	85 04 22	Blanshard MTS	Rates - Miscellaneous Equipment
4646	85 04 22	Brooke MTS	Date of Filing Annual Municipal Subscriber Schedule
4647	85 04 22	Hurontario Telephones Limited	Date of Filing Annual Municipal Subscriber Schedule
4648	85 04 22	North Norwich Telephones Ltd.	Eliminate monthly Jack Charges
4649	85 04 23	Bruce MTS	Eliminate monthly Jack Charges
4650	85 04 23	Hay MTS	Approval of Waiver of Rates for a Sales Campaign
4651	85 04 24	Kenora MTS	Rates - Semi-Public Coin Telephone Service
4652	85 04 24	Coldwater MTS	Rates - Vantage Electronic Key Telephone System
4653	85 06 05	Blanshard	Rates - Miscellaneous Equipment
4654	85 06 05	Amtelecom Inc.	Eliminate monthly Jack Charges
4655	85 06 05	Brooke MTS	Eliminate monthly Jack Charges
4656	85 06 05	Dryden MTS	Eliminate monthly Jack Charges
4657	85 06 05	Gosfield North	Eliminate monthly Jack Charges

ORDER	DATE ISSUED	APPLICANT	PURPOSE
4658	85 06 05	Durham Telephones Limited	Eliminate monthly Jack Charges
4659	85 06 05	Bruce MTS	Eliminate monthly Jack Charges
4660	85 06 05	Coldwater MTS	Eliminate monthly Jack Charges
4661	85 06 05	Lansdowne MTS	Eliminate monthly Jack Charges
4662	85 06 05	Keewatin	Eliminate monthly Jack Charges
4663	85 06 05	Huron & Kinloss	Eliminate monthly Jack Charges
4664	85 06 05	Manitoulin Island	Eliminate monthly Jack Charges
4665	85 06 05	Mornington	Eliminate monthly Jack Charges
4666	85 06 05	North Frontenac	Eliminate monthly Jack Charges
4667	85 06 05	Roxborough	Eliminate monthly Jack Charges
4668	85 06 05	Otonabee	Eliminate monthly Jack Charges
4669	85 06 05	North Renfrew	Eliminate monthly Jack Charges
4670	85 06 05	Wightman	Eliminate monthly Jack Charges
4671	85 06 05	Westport	Eliminate monthly Jack Charges
4672	85 06 05	Tuckersmith	Eliminate monthly Jack Charges
4673	85 06 05	Abitibi-Price Inc.	Eliminate monthly Jack Charges
4674	85 06 05	Manitoulin Island	Comparative Requirements Test Supplement with Bell (CRT)
4675	85 06 10	Northern Telephones Limited	Rates - Special Assembly Rate for Paging Equipment
4676	85 06 18	People's Telephone	Rates - Indebtedness \$2,500,000
4677	85 06 18	Westport	Amendment - Order #3777
4678	85 06 18	Keewatin MTS	Rate - Increase in Rates - Denial
4679	85 06 20	Wightman Telephone Limited	Rates - Touch Tone Feature and Touch Tone Telephone Set
4680	85 06 26	Durham Telephones Limited	Rate - Coin Telephone Charge
4681	85 06 26	Otonabee Telephones Ltd.	Rate - Coin Telephone Charge
4682	85 06 26	Durham Telephones Limited	Rate - Directory Assistance Charge
4683	85 06 26	Otonabee Telephones Ltd.	Rate - Directory Assistance Charge
4684	85 07 02	Kenora MTS	Rates - Extension from June 15/84 to August 15/85
4685	85 04 02	Kenora MTS	Eliminate monthly Jack Charges
4686	85 04 02	People's Tel. Co. of Forest Ltd.	Eliminate monthly Jack Charges
4687	85 07 12	North Norwich Telephones Ltd.	Rates - Delphi Telephone Set and Key Service Unit



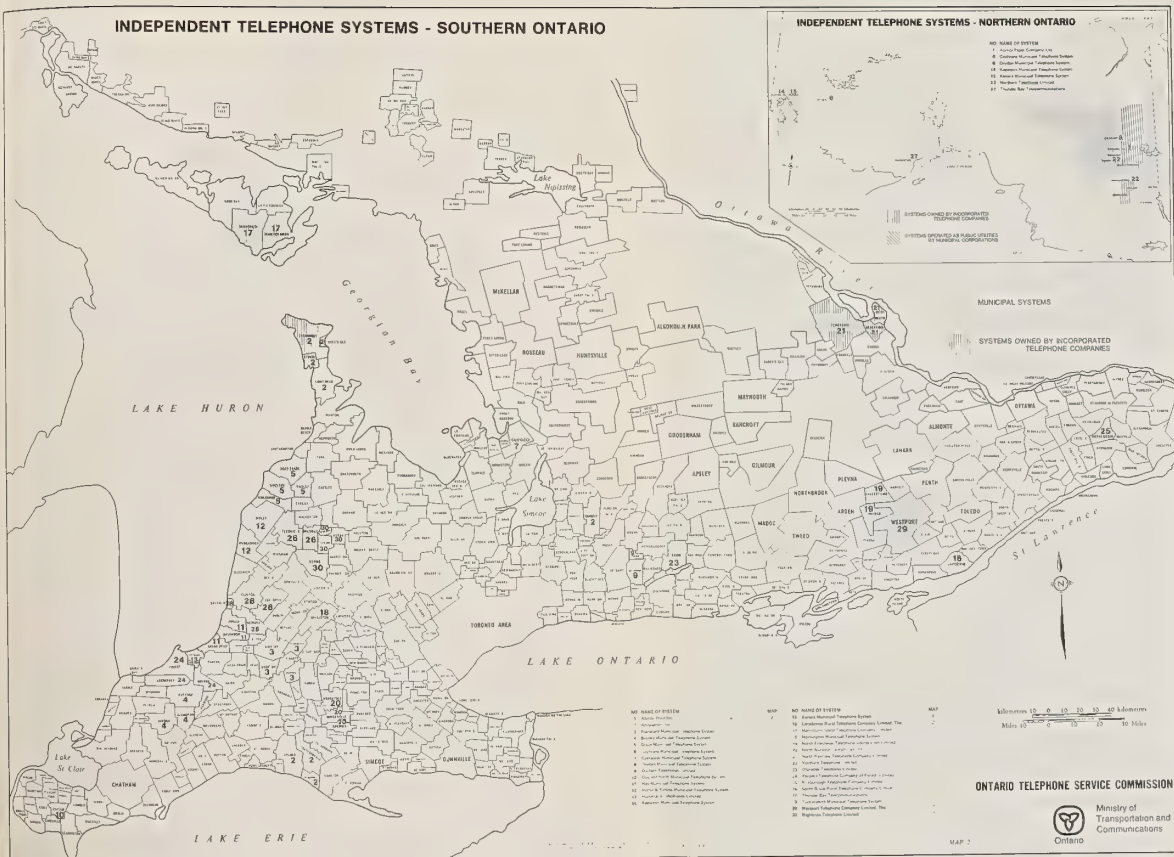
ORDER	DATE ISSUED	APPLICANT	PURPOSE
4688	85 07 12	Hurontario Telephones Limited	Rates - Delphi Telephone Set and Key Service Unit
4689	85 07 12	North Renfrew Telephone	Rates - M.E.S.C.
4690	85 07 12	Kenora	Rates - M.E.S.C.
4691	85 07 12	Mornington	Rates - M.E.S.C.
4692	85 07 12	Blanshard	Rates - Non-Recurring Service Charge for Jack Installations
4693	85 07 15	Hurontario Telephones	Rates - Logic 10
4694	85 07 15	North Norwich Telephone	Rates - Logic 10
4695	85 07 15	North Renfrew Telephone	Rates - Miscellaneous
4696	85 07 17	Kenora MTS	Rates - Touch Tone Feature and Touch Tone Telephone Set
4697	85 07 18	Hay MTS	Approval of Revised App. I, section 1.3 to T.A. with Bell Canada
4698	85 07 18	Northern Telephone Limited	Approval of App. B. sec.VI to T.A. with O.N.T.C.
4699	85 07 18	Thunder Bay Telecommunications	Rates - Security Deposit
4700	85 07 18	Dryden MTS	Rates - Handsfree 10 Equipment
4701	85 07 19	Amtelcom Inc.	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4702	85 07 23	North Norwich MTS	Rates - Outstanding debentures
4703	85 07 26	Hay M.T.S.	Rate - Non-Recurring Service Charge (MESCC)
4704	85 07 26	Hay M.T.S.	Eliminate-Monthly jack charge & increase monthly acc. charge.
4705	85 07 29	Northern Telephone Limited	Approval - Re: Rate for an 8-pin jack
4706	85 08 02	Bruce MTS	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4707	85 08 02	Corp. of The Township of Hay	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4708	85 08 02	Kenora Municipal Telephone System	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4709	85 08 02	North Norwich Telephone Ltd.	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4710	85 08 06	Hurontario Telephones Limited	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4711	85 08 07	South Bruce Rural Telephone Co. Ltd.	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4712	85 08 09	The People's Tel.Co. of Forest Ltd.	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4713	85 08 22	Wightman Telephone Limited	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4714	85 08 22	Tuckersmith	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4715	85 08 22	Coldwater	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4716	85 08 22	Northern Telephone Limited	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4717	85 08 22	Keewatin MTS	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)

ORDER	DATE ISSUED	APPLICANT	PURPOSE
4718	85 08 22	Blanshard MTS	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4719	85 08 22	Thunder Bay Telecommunications	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4720	85 08 22	Lansdowne Rural	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4721	85 08 22	Gosfield North	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4722	85 08 22	Dryden	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4723	85 08 22	Westport Tel	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4724	85 08 27	Huron & Kinloss	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4725	85 09 05	Cochrane	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4726	85 09 05	Otonabee	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4727	85 09 05	Durham	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4728	85 09 05	Westport	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4729	85 09 05	Thunder Bay	Rate - Cama (1+) Toll Restrictor
4730	85 09 05	Blanshard	Issue of Indebtedness
4731	85 09 05	Northern Telephone Limited	Rates - Change in Depreciation Rates
4732	85 09 05	Manitoulin Island	Rates - Code-A-Phone 2530 Answering System
4733	85 09 05	North Frontenac	Rates - Touch Tone Feature & Touch Tone Telephone Set
4734	85 09 05	Amtelecom Inc.	Rates - Non-Recurring Service Charge (MESC)
4735	85 09 05	Mornington	Rates - Touch Tone Feature & Touch Tone Telephone Set
4736	85 09 05	Brooke	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4737	85 09 05	Roxborough	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4738	85 09 18	Amtelecom Inc.	Rate - Directory Assistance Charge to (\$\$.60)
4739	85 09 18	Manitoulin Island	Rate - Directory Assistance Charge to (\$\$.60)
4740	85 10 01	Manitoulin Island	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4741	85 10 03	Kenora Municipal Tel. System	Segregating access charges on billings to customers Order#4369
4742	85 10 08	Wightman Telephone Limited	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4743	85 10 16	Abitibi-Price Inc.	Rate - L. D. Directory Assistance service charge to U.S.(\$\$.50)
4744	85 10 17	People's Tel. Co.	Approval of App. 2, sec.2.7 to T.A. with Bell Canada
4745	85 10 25	South Bruce Rural Tel. Co. Ltd.	Rates - Digital Key System
4746	85 10 31	Blanshard MTS	Rates - Custom Calling Services
4747	85 11 06	North Renfrew Tel. Co. Ltd.	Rate - L.D. Directory Assistance service charge to U.S.(\$\$.50)

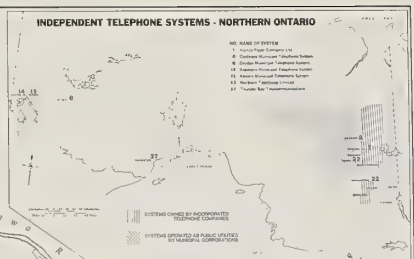
## (v) COMMISSION ORDERS ISSUED - 1985

ORDER	DATE ISSUED	APPLICANT	PURPOSE
4748	85 11 15	Thunder Bay	Rates - Miscellaneous Equipment
4749	85 11 15	South Bruce Rural Telephone	Rates - Extension Bells and Horn and Relay
4750	85 11 15	Northern Telephone Limited	Rates - Special Assembly
4751	85 11 15	Peoples Telephone	Rates - Indebtedness - \$3,000,000.00
4752	85 11 15	Bruce MTS	Rates - SX-10 and Electronic Key System
4753	85 11 18	Thunder Bay	Rates - Network Interconnection Charge
4754	85 11 29	Amtelcom	Rates - Semi-Public Coin
4755	85 11 29	Blanshard	Rates - Vantage 8
4756	85 11 29	Coldwater	Rates - N.S.F. Cheque
4757	85 11 29	Hurontario	Rates - Radio Paging Equipment
4758	85 11 29	Lansdowne	Rates - Touch Tone Feature/Toll Restrictor
4759	85 11 29	Manitoulin	Rates - Semi-Public Coin
4760	85 11 29	Thunder Bay	Rates - Radio Paging Equipment
4761	85 11 29	Thunder Bay	Rates - Miscellaneous Equipment
4762	85 11 29	Tuckersmith	Rates - Non-recurring - MESC
4763	85 11 29	Westport	Rates - Single Line Hold Button
4764	85 12 04	Northern Telephone	ELG True Up Adjustments - Depreciation Application
4765	85 12 09	Northern Telephone Limited	Rates - Six Position Jack
4766	85 12 17	Hay MTS	Depreciation rates
4767	85 12 17	Hurontario Telephones Limited	Depreciation rates
4768	85 12 20	Tuckersmith	Extension - November 1, 1986
4769	85 12 20	Hay MTS	Extension - June 30, 1986
4770	85 12 20	Northern Telephone Limited	General Rate Increase
4771	85 12 23	Roxborough Telephone Company Limited	Extension - July 31, 1986
4772	85 12 24	North Norwich Telephones Ltd.	General Rate Increase
4773	85 12 31	Northern Telephone Limited	NTL JUL 85 - Approval of Rate Structure

## INDEPENDENT TELEPHONE SYSTEMS - SOUTHERN ONTARIO



**INDEPENDENT TELEPHONE SYSTEMS - NORTHERN ONTARIO**



MUNICIPAL SYSTEMS

SYSTEMS OWNED BY INCORPORATED  
TELEPHONE COMPANIES

ONTARIO TELEPHONE SERVICE COMMISSION

Ministry of  
Transportation and  
Communications

MAP 2









CA 2 QN  
DT 90  
A56

# Ontario Telephone Service Commission



## Annual Report 1986







the

Ministry of  
Transportation &  
Communications

416/965-2101

Ferguson Block  
Queen's Park  
Toronto Ontario

The Honourable L. M. Alexander, PC, QC, C.St.J, BA  
Lieutenant Governor of Ontario  
Legislative Building  
Queen's Park, Ontario

MAY IT PLEASE YOUR HONOUR

I beg leave to present the 1986 Annual Report of the Ontario  
Telephone Service Commission for the year ending December 31,  
1986.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Ed Fulton".

Ed Fulton  
Minister







Ontario  
Telephone Service  
Commission

Suite 200  
3625 Dufferin St.  
Downsview Ontario  
M3K 1Z2  
416/235-4950

December 31, 1986

The Honourable Ed Fulton  
Minister of Transportation and Communications  
3rd Floor, Ferguson Block  
77 Wellesley Street West  
Toronto, Ontario  
M7A 1Z8

Dear Mr. Fulton:

I have the honour to present herewith the Annual Report of the  
Ontario Telephone Service Commission for the year ending  
December 31, 1986.

Respectfully submitted,

V. W. Bielski, Q.C.  
Chairman.



# *ONTARIO TELEPHONE SERVICE COMMISSION*

## *1986 ANNUAL REPORT*

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## *CHAIRMAN'S MESSAGE*

It is my pleasure and privilege to present the Ontario Telephone Service Commission's Annual Report for 1986. It was a year of change in the telecommunications industry which brought a wide array of challenging issues before this Commission.

As the telecommunications industry has become increasingly competitive, there have been more products and services available from a larger number of providers. It has often been the case that the regulated industry has been in a competitive position with players outside of the regulatory framework. It has also been the case that decisions made by other regulatory Commissions and Boards have had an impact on Ontario's Independent Telephone Industry.

The challenge for this Commission has been to ensure that these changes emerge in the public interest and need as outlined in its mandate. This has meant being vigilant of change, that is, not only listening to the concerns of the industry and the public, particularly in the public hearing process, but also it has meant acting expeditiously.

It seems the trend has been set.

The Commission is looking forward to the challenges of 1987.

V. W. Bielski, Q.C.,  
Chairman.

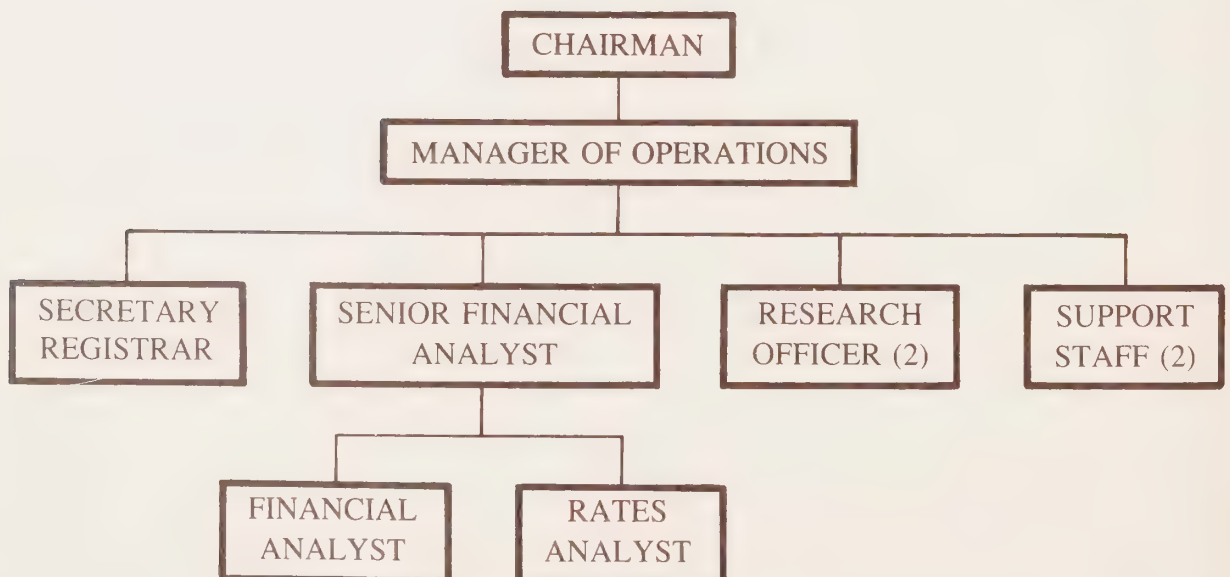
## THE COMMISSION

The Ontario Telephone Service Commission is a provincial regulatory body which is responsible to hear and decide all applications filed by the industry as well as the public and to proceed on such matters. The Commission issues Orders and directions as is necessary for the regulation of the thirty independent telephone systems in Ontario. In 1986, the Commission consisted of a Chairman, Vice-Chairman and five members, as appointed by the Lieutenant Governor in Council.

Chairman	Mrs. V. W. Bielski, Q.C.
Vice-Chairman	Ms. A. E. Stahmer
Member	Mr. D. A. Austin
Member	Mrs. G. Dale
Member	Mr. R. Grezla
Member	Mr. G. Klosler
Member	Mr. G. C. Rennick

The Commission is assisted by a staff of nine. The following chart outlines the present organizational structure of the Commission.

### COMMISSION STAFF ORGANIZATIONAL STRUCTURE



The Commission's governing statute is the Telephone Act, R.S.O. 1980, c.496, as amended by 1983, c.71, and in 1986 the Commission issued 172 Orders.

The following is a summary of the number of Orders issued in respect to the purpose and the section under the Act.

SECTION	NO. OF ORDERS
6 - Jurisdiction of the Commission	3
10 - Previous Order reviewed revoked or amended	4
12 - Sufficiency of rates for telephone systems	1
14 - Power to hear complaints	2
22 - General Orders	1
47 - Sale of municipal system	1
73 - Date of annual meeting of municipal telephone system	2
96 - Approval of agreements for interexchange of service between systems	43
102 - Agreements affecting cost of service	1
105 - Approval of telephone service rates	102
108 - Change in depreciation rates	7
109 - Approval to issue stocks, bonds or indebtedness	6
115 - Prescribing filing date of annual returns	1
TOTAL	174

The Commission held three public hearings, one in Iroquois Falls and two in Toronto.

## *CUSTOMER COMPLAINTS AND INQUIRIES*

Also, pursuant to section 6 of the Telephone Act, the Commission has the mandate to hear all applications of complaints and inquiries from customers concerning the quality of service, rates and management policies of their telephone systems.

Telephone systems have an exclusive right to provide local telephone service in their respective territories. While customers may not have a choice as to which system serves

them, the statutory law ensures that adequate and efficient service must be available to all customers in the territory in which the telephone systems operate.

Customers can seek recourse from the Commission should they have a dispute with their telephone system. In 1986, the Commission received approximately 144 individual submissions, complaints and inquiries.

## MAJOR DECISIONS

### CONTROL-TEL/WIGHTMAN TELEPHONE LIMITED

The Commission, on October 8, 1986, issued Order No. 4915 as a result of a complaint filed by Control-Tel Limited that Wightman Telephone Limited was not providing certain services.

Control-Tel Limited (Control-Tel) filed a letter of complaint dated September 27, 1985 with the Commission that Wightman Telephone Limited (Wightman) refused to provide certain services including PBX trunks, local loops, fifty pair cable, telephone answering service connections, tie trunks, and Direct Inward Dialing service. In a related complaint, Control-Tel stated that its office was having difficulty in receiving incoming calls due to false busy signals.

From the inception of the complaint filed by Control-Tel, the Commission attempted to have both parties resolve the dispute by requiring them to file comments and responses within reasonable time. This process, which spanned a time-frame of several months, eliminated several of the earlier issues. The matters outstanding as of the date of the Commission's Order were;

- the provisioning of Direct Inward Dialing,
- the provisioning of local loops, and
- the problems associated with incoming calls at Control-Tel being blocked due to false busy signals.

In the matter of the provisioning of Direct Inward Dialing (DID) service, the Commission gave both parties several opportunities

to file and respond to evidence on the record.

In reviewing the evidence the Commission found that:

- the demand for DID was made by one complainant only, Control-Tel;
- DID could not be provided from a step by step exchange except through extraordinary expenditures on the part of the system;
- the telephone system indicated that it would be in a position to provide DID when it installs a digital switch in the early 1990s.

The Commission determined that it was not in the public interest to order Wightman to spend a significant sum of money which would have to be recovered from the general body of subscribers to install equipment which would become redundant when a new digital switch was installed. Accordingly, the Commission found that Wightman did not have to provide DID to the one customer, Control-Tel at this time.

The local loops requested by Control-Tel were all provided with the exception of one loop which required Commission approval as a special assembly. The Commission in its Order directed Wightman to prepare a special facility tariff and to file the tariff with the Commission.

Throughout the correspondence, Control-Tel had mentioned that it was experiencing difficulties with incoming calls to its location because of false busy signals. The allegation contained in Control-Tel's letter of August 11, 1986, for example, was that "incoming calls continue to be blocked by lack of paths through the Wightman Gorrie S.U." (Selector Units).



Wightman responded to the allegations of false busy signals in a letter of September 5, 1986. Wightman stated that their trouble report log showed no complaints regarding this problem. They further stated that if the problem was indeed with the Central Office, customers other than Control-Tel would be experiencing problems. They also indicated that a check with Bell Canada's Switched Network Analysis Centre confirmed that no troubles had been reported.

The Commission concluded that any false busy problems were not serious and to the extent that they existed were on an intermittent nature.

## SALE OF THE COLDWATER MUNICIPAL TELEPHONE SYSTEM

On October 4th, 1986, the Ontario Telephone Service Commission received an application from the Commissioners for the Telephone System of the Municipality of Coldwater (Coldwater MTS) for an Order approving the sale of the operations and fixed assets of the Coldwater MTS to Amtelecom Group Inc. (Amtelecom) as well as an Order dispensing with the obtaining of an Approval By-law from the initiating Municipality, being the Municipal Corporation of the Village of Coldwater. A public hearing of the application was held at Toronto on December 15, 1986.

The Application raised essentially two issues. These were:

1. Is the sale of the CMTS in the public interest?
2. Does the Commission have the jurisdiction to order the Village of Coldwater as trustee to make title to the assets of the telephone system on its sale?

With respect to the first issue, the Commission, in order No. 4535, laid out the following test in determining whether or not a sale of a telephone system is in the public interest:

...it is critical in respect to the sale of a telephone system to ensure that those acquiring it will be in a position to provide an adequate and efficient telephone service for the public at just and reasonable prices.

(emphasis added)

The material filed and the argument of interested parties at the hearing raised a number of concerns which directly relate to the test outlined above:

- the quality of service that the buyer could provide,
- the proposed capital structure,
- future rate applications, and
- the purchase price.

Taking all the written material and evidence before it into consideration, including the evidence of those concerned persons who appeared at the hearing, the Commission was of the view that the sale of Coldwater MTS to Amtelecom in trust for Coldwater Communications Inc., is in the public interest.

With respect to the second issue, two concerns were examined:

### 1) The Jurisdiction of the Commission to Entertain the Application of the Commissioners of the Coldwater MTS

The basis of the concern appeared to be that if the number of subscribers voting for the acceptance of the Amtelecom bid included ineligible subscribers then the vote could be defective and the Commission might not have the jurisdiction to hear the application for the sale of the telephone system.

The Commission believes that it does not have the jurisdiction to determine who specifically are subscribers and should accept the

determination made by the Commissioners until such time as a Court of competent jurisdiction rules otherwise. The final determination of the number of subscribers is not a matter which affects the jurisdiction of the Commission to entertain an application for the sale of a subscriber-owned telephone system.

Therefore the Commission concluded that it has the jurisdiction to entertain the Application.

2) The Jurisdiction of the Commission to Order the Village of Coldwater to make Title to the Assets of the Coldwater MTS

The evidence before the Commission at the hearing indicated that the Council of the Village of Coldwater had not passed a by-law pursuant to section 47(1) of the Telephone Act in order to give effect to the decision of the subscribers to sell Coldwater MTS. It appeared from the evidence that because of various conflicts of interest involving four of the five members of the Council, there had been difficulty in achieving a quorum for the purpose of dealing with the matter. The District Court of Ontario, however, made its decision that two members of the Town Council were not in conflict.

The record disclosed a reluctance on the part of Council to deal with the matter of the sale at all. The Commission, therefore, had to deal with the matter of the approval of the sale of Coldwater MTS but also deal with the jurisdictional issues regarding the obligations of the Council.

The Commission considered that the Telephone Act defines clearly a trust relationship between the Council of the initiating municipality and the subscribers.

The beneficiaries of the trust are the subscribers and the subscribers at two meetings voted overwhelmingly to sell the telephone system. It was the view of the Commission that it

was the duty of the Council of the initiating municipality to deal with trust assets in accordance with the expressed wishes of the beneficiaries of the trust. The Commission on December 19, 1986 issued Order No. 4934 approving the sale of Coldwater MTS to Amtelecom Group Inc. Also, the Commission ordered the municipality to pass a by-law approving the proposed sale of the telephone system in order to complete the transaction or to take such other lawful steps as are necessary, in order to give effect to the decision of the subscribers to sell the assets of the telephone system. The municipality was required to make a decision within ten days of the date of the Commission's Order.

## ABITIBI-PRICE INC. - RATE APPLICATION

The application was filed with the Commission on June 20, 1985 requesting an overall increase in local service rates of 21.4% which if approved would provide an additional annual revenue of \$20,092.00. The Commission held a public hearing regarding the application in Iroquois Falls on the evening of April 29, 1986.

In approving any application the Commission must be satisfied that the evidence meets the rate of return requirements of section 12 of the Telephone Act. The Commission was unable to come to a decision on the application in that the telephone operations were reflected as part of Abitibi-Price's paper operation. Abitibi-Price did not provide proper cost allocation to telephone accounts and therefore the Commission was unable to determine a revenue requirement.

The Commission issued Order No. 4900 dated September 04, 1986. The Order denied the application and suggested to Abitibi-Price that they review their accounting procedures and develop an allocation procedure which treats the telephone system as a stand-alone entity.

## REGULATORY ISSUES

### *CRTC TELECOM DECISION 86-17 - LONG DISTANCE RATE DISCOUNT TRAFFIC AGREEMENT REVIEW*

On October 14, 1986, the Canadian Radio-television and Telecommunications Commission (CRTC) rendered Bell Canada - Review of Revenue Requirements for the Years 1985, 1986, 1987, Telecom Decision CRTC 86-17. The decision concluded a review of Bell's financial position, which was initiated by CRTC Telecom Public Notice 1985-85, dated 23 December 1985. In that Public Notice the CRTC noted that the appropriate rate of return for Bell Canada had not been reviewed since 1981. Given Bell's financial forecasts at that time, the CRTC considered it appropriate to review, in a public process, changes in economic and financial conditions since Telecom Decision CRTC 81-15 and the impact of Bell's corporate reorganization on its rate of return.

The Commission recognized that many of the telephone systems under its jurisdiction earn a high percentage of their total revenue through toll. It was also clear to the Commission that given the method of calculation of toll settlements and the current uniformity of long distance rates between Independent Telephone Systems and Bell Canada, CRTC Telecom Decision 86-17 would have an impact on the revenues of the Independent Systems.

Soon after the CRTC Decision had been issued, a number of applications to increase either local or long distance rates were filed with the Commission. The applications were based on anticipated toll revenue loss as a result of the CRTC Decision to order Bell Canada to reduce its long distance rates.

The Commission initiated a public hearing to investigate the toll sharing arrangement between the Independents and Bell Canada

vis-a-vis the Traffic Agreement. The hearing, aside from reviewing the Traffic Agreement also examined the magnitude of the impact on toll reduction as well as the appropriate response with regard to the public interest. The hearing was held on December 09, 1986 and the Commission heard evidence not only from a number of Independents but from Bell Canada and the Ontario Northland Transportation Commission as well.

During the course of this proceeding, this Commission heard testimony from many of the Independent Telephone Systems. Each System expressed concern about the impact of CRTC Telecom Decision 86-17 on their total revenues. Because the impact of the reduced toll rates is immediate, many of the Systems said they would be forced, in addition to applying for rate relief through local rate increases, to cut back construction expenditures in order to maintain their revenue requirement. The Systems admitted that there would be a stimulation factor involved, in that the lower rates would encourage more calling. The estimates presented by Bell Canada at the hearing were based on a 20% reduction in toll revenue with a stimulation factor of 4.5%. However, the supporting evidence regarding the toll reduction assumptions was not conclusive.

The Commission was convinced that the CRTC Telecom Decision 86-17 may have an impact on the Independents and as such would have to be dealt with expeditiously. However, the Commission was not satisfied with the estimates of the impact indicated at this hearing. Given the very different circumstances of each Independent, it was not clear that the assumptions made with regard to the stimulation factor were uniformly relevant.



As a result of the hearing, the Commission had no choice but to review the financial situation of each telephone system individually with regard to the impact of loss in toll revenue as a result of CRTC Telecom Decision 86-17. The review has begun with those Systems that have filed for rate relief. Thereafter others will be reviewed in an order and time-frame as determined by the Commission. This review process will be done recognizing the immediacy of the impact on total revenues on the Independents.

### THUNDER BAY TELECOMMUNICATIONS - TELECO SUPPLY COMPLIANT

The Commission received a complaint from Teleco Supply Co. Ltd. (Teleco) on March 26, 1986 with respect to certain practices of Thunder Bay Telecommunications (TBT). Teleco, a telecommunications equipment supplier claimed that TBT was violating Commission Order No. 4276 which permitted terminal attachment to the telephone systems and provided conditions for telephone systems to sell equipment. Included in the complaint were a series of allegations regarding the business conduct of the staff of TBT.

The Commission, after receiving comments from TBT issued Order No. 4862 dated August 11, 1986, directing TBT to make various filings and financial information available to the Commission within 60 days. TBT filed

an application to amend the Order however the application was denied and Order No. 4862 was permitted to stand.

The Commission received the filings and anticipated further action on this case in the early part of 1987.

### DIRECT DISTANCE DIALING

The Commission is aware that there are some customers in six rural exchanges that do not have direct distance dialing service. This means that in those areas the operator must be used to either place or receive long distance calls. Once direct distance dialing is provided, long distance calls will be processed automatically, without operator assistance.

The customers of these exchanges are anxious to receive direct distance dialing service as soon as possible. While the Commission is sensitive to the customers' wishes, it is also cognizant that the conversion is expensive and must be budgeted and implemented over a time-frame of two years. This implementation process will ensure that all the customers of the telephone entity will not be overburdened with the expense of this project. The Commission has also been advised that the carrier providing long distance service must also be involved in the conversion.

The Commission is monitoring the progress of the direct distance dialing conversion project and anticipates full conversion by 1989.

## APPENDIX (i)

Type of Entity of the Independent Telephone Systems Operating in Ontario in 1986.

	SYSTEMS		TELEPHONES	
	No.	%	No.	%
Systems operated as public utilities by municipal corporations	5	16.7	71,535	40.1
Municipal Systems	9	30.0	25,185	14.1
Incorporated companies	16	53.3	81,807	45.8
TOTAL:	30	100.0	178,527	100.0

## APPENDIX (ii)

Size Distribution of the Independent Telephone Systems Operating in Ontario 1985.

No. of Telephones	No. of Systems	Percent (rounded)
0 - 500	1	3.0
501 - 1,000	5	17.0
1,001 - 2,000	10	33.0
2,001 - 3,000	5	17.0
3,001 - 4,000	4	13.0
4,001 - 5,000	1	3.0
5,001 - 10,000	2	7.0
10,001 - 50,000	0	0.0
50,001 - 100,000	2	7.0
	30	100.0



## APPENDIX (iii)

Net growth of the Telephone Industry in Ontario since 1980.

Dec. 31	No. of Systems	*Network Access Lines or Main Telephones	% Change
1980	31	162,887	
1981	31	165,687	1.70
1982	31	167,568	1.10
1983	31	171,421	2.30
1984	30	174,741	2.40
1985	30	178,527	2.20

\*Represents Main Telephones prior to 1985.

## SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1986.

	NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	NETWORK ACCESS LINES
3	Abitibi-Price Incorporated	F. R. Robar Electrical Superintendent	Iroquois Falls POK 1EO (705) 258-3241	Iroquois Falls	759
3	Antelecom Incorporated	D. W. Ingram President and General Manager	18 Sydenham Street Aylmer N5H 1L2 (519) 773-8441	Aylmer Cambray Dyer's Bay Lion's Head Port Burwell Stokes Bay Straffordville Tobermory	4,870 700 242 925 637 110 1,047 638
2	Blanshard Municipal Telephone System	B. W. Skinner Manager	Kirkton NOK 1KO (519) 229-8933	Granton Kirkton Sebringville Uniondale	9,169 564 970 1,136 444
2	Brooke Municipal Telephone System	E. Chapman Manager	315 Park Street Dresden NON 1KO (519) 683-2055	Alvinston (S) Inwood Watford (S)	3,114 305 501 550
2	Bruce Municipal Telephone System	J. T. Scurfield Manager	P.O. Box 580 Kincardine N2Z 2Z1 (519) 396-3322	Kincardine Paisley Port Elgin Tiverton	1,356 3,881 896 3,585 1,140
1	Cochrane Public Utilities Commission	R. V. Nichols General Manager Secretary-Treasurer	153 Sixth Avenue P.O. Box 640 Cochrane P0L 1C0 (705) 272-4232	Cochrane	9,502 2,527

## SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1986.

	NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	NETWORK ACCESS LINES
2	Coldwater Municipal Telephone System	I. Murray Manager	P.O. Box 202 Coldwater LOK 1G0 (705) 686-3698	Coldwater	980
1	Dryden Municipal Telephone System	J. C. Callan Secretary and Business Manager	30 Van Horne Avenue Dryden P8N 2A7 (807) 223-2225	Dryden	3,476
3	Durham Telephones Limited	J. E. Downs General Manager	63 Brule Gardens Toronto M6S 4J5 (416) 767-4042	Cavan Millbrook	424 994
2	Gosfield North Municipal Telephone System	J. Helkie Manager	P.O. Box 130 Cottam NOR 1B0 (519) 839-4734	Cottam	1,418 1,198
2	Hay Municipal Telephone System	W. H. Wagner Manager and Secretary-Treasurer	P.O. Box 99 Zurich NOM 2T0 (519) 236-4333	Dashwood Grand Bend Zurich	445 2,103 1,068
2	Huron and Kinloss Municipal Telephone System	G. Grubb Manager	P.O. Box 220 Huron Street Ripley NOG 2R0 (519) 395-2625	Dungannon Ripley	3,616 895 1,809
3	Hurontario Telephones Limited	K. V. Stevens Manager	P.O. Box 59 Thedford NOM 2N0 (519) 296-4926	Port Franks Thedford	2,704 1,124 601
1	Keewatin Municipal Telephone System	C. Wasacase Chairman of Board Municipal Council	P.O. Box 139 Keewatin POX 1G0 (807) 547-2881	Keewatin	1,725 1,000

## SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1986.

	NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	NETWORK ACCESS LINES
1	Kenora Municipal Telephone System	G. Dunford Operating Head	P.O. Box 1110 Kenora P9N 3X7 (807) 468-7046	Kenora	4,618
3	Lansdowne Rural Telephone Company Limited	W. A. Grier General Manager	P.O. Box 9 Lansdowne KOE 1L0 (613) 659-2221	Lansdowne	1,496
3	Manitoulin Island Telephone Company Limited	D. W. Ingram General Manager	18 Sydenham Street East Aylmer N5H 1L2 (519) 773-8441	Manitowaning Mindemoya	983 989 1,972
2	Mornington Municipal Telephone System	E. J. Bay Secretary-Treasurer	16 Mill Street East Milverton NOK 1M0 (519) 595-8331	Milverton	1,605
3	North Frontenac Telephone Corporation Limited	H. J. Schmidt Secretary-Treasurer	P.O. Box 130 Baden N0B 1G0 (519) 634-5300	Parham Sharbot Lake	559 878 1,437
3	North Norwich Telephones Ltd.	K. V. Stevens Manager	P.O. Box 33 Burgessville N0J 1C0 (519) 424-9801	Burgessville Norwich (S) Woodstock (S)	873 328 335 1,536
3	North Renfrew Telephone Company Limited	W. Vandekemp Manager	P.O. Box 70 Beachburg K0J 1C0 (613) 582-3600	Beachburg Pembroke Westmeath (S)	583 298 369 1,250

SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1986.

NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	NETWORK ACCESS LINES
3 Northern Telephone Limited	M. W. Cooper President and Chief Executive Officer	25 Paget Street Box H New Liskeard POJ 1P0 (705) 647-7311	Abitibi Canyon Calstock Cobalt Cochrane (S) Connaught Detour Lake Earlton Elk Lake Englehart Fauquier Gowganda Haileybury Hearst Iroquois Falls Kamiskotia Kapuskasing Kirkland Lake Larder Lake Latchford Matachewan Matheson Mattice Moonbeam New Liskeard Opasatika Opishong Ramore Smooth Rock Falls South Porcupine Swastika Timmins Virginiatown	31 110 874 747 187 21 951 245 1,651 249 79 1,926 3,033 2,115 75 5,288 5,309 454 152 192 779 354 622 4,049 149 13 390 947 3,224 836 16,597 461 <hr/> 52,110 1,062
3 Otonabee Telephones Limited	J. E. Downs General Manager	63 Brule Gdns Toronto M6S 4J5 (416) 767-4042	Keene	710 504 2,360 <hr/> 3,574
3 People's Telephone Company of Forest, Limited (The)	R. K. Sutherland General Manager	P.O. Box 700 Forest NON 1J0 (519) 786-2351	Aberarder Arkona Forest	



## SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1986.

NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	NETWORK ACCESS LINES
3 Roxborough Telephone Company Limited	J. W. Beach Manager	P.O. Box 179 Moose Creek KOC 1W0 (613) 538-2800	Moose Creek	429
3 South Bruce Rural Telephone Company Limited	L. E. Hale Manager	1 Clinton Street Teeswater NOG 2S0 (519) 392-6807	Mildmay Teeswater	1,300 1,200
1 Thunder Bay Telecommunications	S. Hacio Manager	241 Vickers Street South Thunder Bay P7E 1J5 (807) 623-2121	Court Street Current River MacKenzie Murillo Riverview Rosslyn Shuniah Vickers Street	2,500 19,101 2,810 831 751 11,902 1,510 7,438 17,382
2 Tuckersmith Municipal Telephone System	M. Graham Secretary-Treasurer	R.R. #1 Varna NOM 2R0 (519) 482-9908	Bayfield Clinton (S) Hensall (S) Seaforth (S)	919 382 374 451
3 Westport Telephone Company	H. A. Lynn Manager	P.O. Box 252 Westport KOC 1X0 (613) 273-2121	Westport	2,126 1,486
3 Wightman Telephone Limited	R. Wightman President	P.O. Box 70 Clifford NOG 1M0 (519) 327-8012	Ayton Clifford Gorrie Neustadt	665 327 335 799
TOTAL:				2,126 183,596 =====

SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1986.

NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NUMBER	EXCHANGES	NETWORK ACCESS LINES
	<p><u>GROUPS:</u></p> <ol style="list-style-type: none"> <li>1. Systems established under The Telephone Act by municipal corporations and operated as public utilities.</li> <li>2. Systems established under The Telephone Act by, and vested in municipal corporations in trust for the benefit of the subscribers and operated by the municipal council or by a commission elected by the subscribers.</li> <li>3. Incorporated companies.</li> </ol>			

## (v) COMMISSION ORDERS ISSUED - 1986

ORDER	DATE ISSUED	APPLICANT	PURPOSE
4774	86 01 28	Huron & Kinloss MTS	Extension - October 31, 1986
4775	86 01 28	North Frontenac Tel. Co. Ltd.	Extension - September 30, 1986
4776	86 01 28	Thunder Bay Telecommunications	Rates - Miscellaneous Equipment
4777	86 01 30	Amtelecom Inc.	Rates - Miscellaneous Equipment
4778	86 01 30	Coldwater MTS	Rates - Miscellaneous Equipment
4779	86 01 30	Brooke MTS	Rates - Non-Published Number
4780	86 01 30	Dryden MTS	Rates - Miscellaneous Equipment
4781	86 01 30	Thunder Bay Telecommunications	Connection of facilities - TBT/CNCP
4782	86 01 30	Thunder Bay Telecommunications	Connection of facilities - TBT/CNCP
4783	86 01 30	Lansdowne Rural Tel. Co. Ltd.	Extension - March 15, 1986
4784	86 02 04	Lansdowne Rural Tel. Co. Ltd.	Rates - Increase in N.S.F. Cheque Charge (\$7.50)
4785	86 02 07	Hay MTS	Rates - Depreciation
4786	86 02 07	Durham Telephones Limited	Rates - Depreciation
4787	86 02 11	Thunder Bay Telecommunications	Revision to App.1, section 1.3 & App.2, sec.2.7 to T.A.
4788	86 02 11	Kenora MTS	Rates - Custom Calling Services
4789	86 02 11	Lansdowne Rural Tel. Co. Ltd.	Rates - SK1 and Meritor Key Systems Equipment
4790	86 02 11	Wightman Telephone Limited	Rate - PBX Trunk Rate
4791	86 02 17	Bruce MTS	Rate - Coin Telephone Charge - \$0.25
4792	86 02 25	Thunder Bay	Rates - Miscellaneous Equipment
4793	86 02 25	Kenora MTS	Rates - Miscellaneous Equipment
4794	86 02 25	Lansdowne Rural Tel. Co. Ltd.	Rates - Depreciation
4795	86 02 26	Hay MTS	Date of Annual Meeting - April 9, 1986
4796	86 03 14	Amtelecom Inc.	Rates - Miscellaneous Equipment
4797	86 03 14	Lansdowne Rural Tel. Co. Ltd.	Rates - Miscellaneous Equipment
4798	36 03 25	Amtelecom Inc.	Rate - Miscellaneous Equipment
4799	86 03 25	People's Telephone Company	Rate - Locality Rate Area

ORDER	DATE ISSUED	APPLICANT	PURPOSE
4800	86 03 25	People's Telephone Company	Rates - Delphi Tel. System & Signature Tel. Set
4801	86 03 25	Coldwater MTS	Rates - EK-308 KSU
4802	86 03 25	North Norwich Telephone Ltd.	Rates - Loud Ringer - Delphi Set
4803	86 03 25	Kenora Municipal Telephone System	Rates for Vantage 8/Esprit Telephone Set
4804	86 03 25	Hurontario Telephones Limited	Rates - Loud Ringer - Delphi Set
4805	86 03 26	North Norwich Telephones Ltd.	Amendment to Order No. 4772
4806	86 03 26	Blanshard MTS	Amendment to Order No. 4653
4807	86 03 26	Westport Telephone Company Limited	Rates - 4-Party Business Line Access Charge
4808	86 03 26	Thunder Bay Telecommunications	Rates - Miscellaneous Equipment
4809	86 03 26	Northern Telephone Limited	Rates - Signature Telephone Set
4810	86 03 27	Antelecom Inc.	Rate - N.S.F. Cheque Charge
4811	86 04 27	Manitoulin Island Tel. Co. Ltd.	Rate - N.S.F. Cheque Charge
4812	86 03 27	Bruce MTS	Annual Meeting - May 30, 1986
4813	86 03 27	Thunder Bay Telecommunications	Rate Unbundling
4814	86 04 01	Cochrane P U C	Date for filing of required annual returns
4815	86 04 01	Huron (Municipality)	Rate - Late Payment Charge
4816	86 04 01	Mornington (Municipality)	Rate - Late Payment Charge
4817	86 04 18	Northern Telephone Limited	Segregated Accounts Plan
4818	86 04 24	Abitibi-Price Inc.	Rate - Late Payment Charge
4819	86 04 24	Northern Telephone Limited	Approval of App.B, section VII to T.A. with ONTC
4820	86 04 24	South Bruce Rural Tel. Co. Ltd.	Rate - Late Payment Charge
4821	86 04 24	South Bruce Rural Tel. Co. Ltd.	Rate - N.S.F. Cheque Charge
4822	86 04 24	Tuckersmith MTS	Rate - Security Deposit Charges
4823	86 04 28	Thunder Bay Telecommunications	Temporary Waiver of the Administration Charge Portion of MESC
4824	86 04 28	Lansdowne Rural Telephone Company	Rate for 203BA Modem
4825	86 04 28	Lansdowne Rural Telephone Company	Further extension to time re: 4-Party Service

## (v) COMMISSION ORDERS ISSUED - 1986

ORDER	DATE ISSUED	APPLICANT	PURPOSE
4826	86 04 28	Northern Telephone Limited	Rate for a wall mounted jack
4827	86 04 28	Kenora Municipal Telephone System	Rate for Trunk Hunting Services
4828	86 04 28	Huronario Telephone Limited	Coin telephone charge
4829	86 04 28	Huronario Telephone Limited	Semi-public coin telephone rate
4830	86 04 29	Hay MTS	Rates - Foreign Exchange Service between system exchanges
4831	86 04 29	North Frontenac Tel. Co. Ltd.	Rate - To change NSF cheque charges
4832	86 05 21	Amtelecom Inc.	Rate - Signature Telephone Set
4833	86 05 21	Kenora MTS	Rate - Signature Telephone Set
4834	86 05 21	Lansdowne Rural Telephone Company	Rate - Ditto Plus Set
4835	86 05 23	People's Tel. Co. of Forest, Ltd.	Rates - 616 Delphi and 612 Busy Lamp Field
4836	86 05 23	Amtelecom Inc.	Refinance Existing Indebtedness/Issue Add. Evid. of Indeb.
4837	86 05 23	Manitoulin Island Tel. Co. Ltd.	Refinance Existing Indebtedness
4838	86 05 27	Hay MTS	Rates - Foreign Exchange Circuits
4839	86 05 30	Keewatin MTS	Rates - Non-Recurring Service Charge (MESC)
4840	86 05 30	Dryden MTS	Rates - Telex and Data Loop
4841	86 05 30	Huron & Kinloss MTS	Rates - Miscellaneous Equipment
4842	86 06 04	Manitoulin Island Telephone Company	CRT Supplement Agreement with Bell Canada
4843	86 06 06	People's Tel. Co. of Forest, Ltd.	Rates - 612BP Back Up Power for 612 and 616 Tie Key System
4844	86 06 06	Thunder Bay, Telecommunications	Indebtedness
4845	86 06 06	Westport Telephone Company Ltd.	Rates - for the EX-1040 Uniden Telephone Set
4846	86 06 10	Brooke Municipal Telephone System	NSF cheque charges
4847	86 06 10	Amtelecom Inc.	Rates - Touch Tone Feature rate
4848	86 06 24	North Frontenac Tel. Corporation Limited	Rate - L. D. Directory Assistance service charge to U.S. (\$50)
4849	86 06 24	Manitoulin Island Telephone Company	Flat Rate - PBX Service
4850	86 06 30	Amtelecom Inc.	Rates - Custom Calling Features
4851	86 06 30	Manitoulin Island Telephone Company	Rates - Touch Tone Features
4852	86 06 30	Manitoulin Island Telephone Company	Rates - Custom Calling Features
4853	86 06 30	Wightman Telephone Limited	Rate - Chime Bell



ORDER	DATE ISSUED	APPLICANT	PURPOSE
4854	86 06 30	Hurontario Telephone Limited	Rates - Delphi Key Service Units
4855	86 06 30	Westport Telephone Company Limited	Rate - 199-D Tone Ringer
4856	86 06 30	Westport Telephone Company Limited	Rate L1Q1 Extension Ringer
4857	86 06 30	Kenora Municipal Telephone System	Rates - Vantage 12 Key System Unit
4858	86 06 30	North Norwich Telephone Limited	Rates - Delphi Key Service Units
4859	86 06 30	Thunder Bay, Telecommunications	Rates - Miscellaneous Equipment
4860	86 06 30	Thunder Bay, Telecommunications	Rates - I.B.N. Service Equipment and Featureers
4861	86 07 07	Hurontario Telephone Limited	Rate for Semi-Public Coin Telephone
4862	86 07 07	Teleco Supply Co. Ltd.	Order No. 4276 - Compliance
4863	86 07 07	Keewatin M.T.S.	Rates - Miscellaneous Equipment
4864	86 07 21	Hurontario Telephones Limited	Evidence of Indebtedness - \$1,325,000)
4865	86 07 29	Brooke M.T.S.	Rates - Tie Key System
4866	86 07 29	North Norwich Telephones Ltd.	Service System Agreement
4867	86 07 29	Tuckersmith M.T.S.	Service System Agreement - Bell Canada
4868	36 07 30	Huron & Kinloss MTS	Miscellaneous Rate Application: Contemprette
4869	86 08 11	Thunder Bay Telecommunications	Request OTSC review and amend Order No. 4862
4870	86 08 12	Thunder Bay Telecommunications	DID Trunk
4871	86 08 18	Dryden MTS	Rapport and Unity Telephone
4872	86 09 02	Huron and Kinloss MTS	4-Party rates
4873	86 09 02	Dryden MTS	Miscellaneous rates
4874	86 09 03	Blanshard MTS	Traffic Agreement with Bell Canada
4875	86 09 03	Brooke MTS	Traffic Agreement with Bell Canada
4876	86 09 03	Bruce MTS	Traffic Agreement with Bell Canada
4877	86 09 03	Coldwater MTS	Traffic Agreement with Bell Canada
4878	86 09 03	Dryden MTS	Traffic Agreement with Bell Canada
4879	86 09 03	Durham Telephones Limited	Traffic Agreement with Bell Canada
4880	86 09 03	Gosfield North MTS	Traffic Agreement with Bell Canada
4881	86 09 03	Hay MTS	Traffic Agreement with Bell Canada

## (V) COLLUSION ORDERS ISSUED - 1986

ORDER	DATE ISSUED	APPLICANT	PURPOSE
4882	86 09 03	Huron and Kintess MTS	Traffic Agreement with Bell Canada
4883	86 09 03	Huronario Telephones Limited	Traffic Agreement with Bell Canada
4884	86 09 03	Keewatin MTS	Traffic Agreement with Bell Canada
4885	86 09 03	Kenora MTS	Traffic Agreement with Bell Canada
4886	86 09 03	Lansdowne Rural Telephone Co. Ltd.	Traffic Agreement with Bell Canada
4887	86 09 03	Manitoulin Island Tel. Co. Ltd.	Traffic Agreement with Bell Canada
4888	86 09 03	Mornington MTS	Traffic Agreement with Bell Canada
4889	86 09 03	North Frontenac Tel. Co. Ltd.	Traffic Agreement with Bell Canada
4890	86 09 03	North Norwich Telephones Ltd.	Traffic Agreement with Bell Canada
4891	86 09 03	North Renfrew Tel. Co. Ltd.	Traffic Agreement with Bell Canada
4892	86 09 03	Otonabee Telephones Limited	Traffic Agreement with Bell Canada
4893	86 09 03	People's Tel. Co. of Forest, Ltd.	Traffic Agreement with Bell Canada
4894	86 09 03	Roxborough Tel. Co. Ltd.	Traffic Agreement with Bell Canada
4895	86 09 03	South Bruce Rural Tel. Co. Ltd.	Traffic Agreement with Bell Canada
4896	86 09 03	Thunder Bay Telecommunications	Traffic Agreement with Bell Canada
4897	86 09 03	Tuckersmith MTS	Traffic Agreement with Bell Canada
4898	86 09 03	Westport Telephone Company	Traffic Agreement with Bell Canada
4899	86 09 03	Wightman Telephone Limited	Traffic Agreement with Bell Canada
4900	86 09 04	Abitibi-Price Inc.	Rates - Local Telephone Service
4901	86 09 05	Hay MTS	Rates - Voice Paging System
4902	86 09 05	Hay MTS	Rates - Signature Telephone
4903	86 09 05	Huronario Telephones	Rate for 208 B/A Data Set
4904	86 09 05	Durham Telephone Limited	Indebtedness - \$1,600,000
4905	86 09 05	Durham Telephone Limited	Agreement to Share Digital Switch with Otonabee
4906	86 09 05	North Renfrew Telephone Company	Service System Agreement with Bell Canada
4907	86 09 05	Northern Telephone Limited	New Service Offering Rate
4908	86 09 05	Otonabee Telephones Ltd.	Indebtedness - \$600,000
4909	86 09 05	Huronario Telephones	Agreement with North Norwich for sharing of Computer Billing

ORDER	DATE ISSUED	APPLICANT	PURPOSE
4910	36 09 05	Northern Telephone Limited	Appendix B, section VI to the Traffic Agreement
4911	86 09 05	North Norwich Telephones Ltd.	Agreement with Hurontario for sharing of Computer Billing
4912	86 09 05	Otonabee Telephones Ltd.	Agreement with Durham for sharing of Digital Switch
4913	86 09 05	Thunder Bay Telecommunications	Miscellaneous Rates
4914	86 10 03	Northern Telephone Limited	Rates - Locality Rate Area - Finn Road
4915	86 10 08	Wightman Telephone Limited	Direct Inward Dialing Service - Denied
4916	86 10 10	Dryden MTS	Rates - Talkto 308 Hansfree and ITT 2020 Telephone Set
4917	86 10 20	Ontario Telephone Service Commission	TTY/TDD Hearing Impaired
4918	86 10 21	Amtelecom Inc.	Rates - Miscellaneous Equipment
4919	86 10 21	Kenora MTS	Rates - Mitel SX-10 and SX-20
4920	86 10 21	Kenora MTS	Rates - Panasonic KXC-T3130 Telephone Set
4921	36 10 22	Thunder Bay, Telecommunications	CNCP - Points of Connections
4922	86 10 27	Bruce MTS	Depreciation Rates for Computer
4923	86 10 27	Thunder Bay, Telecommunications	Rates - QVF 45C - Data Circuit Card and Unity Set-Plus
4924	36 10 31	Northern Telephone Limited	Agreement for the Tri-Town & Area Central Office Modernization
4925	86 11 07	Dryden MTS	Voice Grade Local Loops.
4926	86 11 12	Huron MTS	Contemprette NTD 9293 telephone set rate
4927	36 11 12	South Bruce Rural Telephone	Key System Line Access Charge
4928	86 11 12	South Bruce Rural Telephone	Custom Calling Services
4929	86 11 12	Thunder Bay, Telecommunications	Temporary Waiver of Administration charge portion of MESC
4930	86 11 14	Thunder Bay, Telecommunications	Restructured rates for telephone service
4931	86 12 15	Northern Telephone Limited	Amendment to Order Bo. 4304 - Lost Lake Camp
4932	36 12 17	South Bruce Rural Telephone	Rate - Coin Telephone Charge \$0.25
4933	86 12 18	Brooke MTS	Amend Appendix 6 to T.A. with Bell Canada
4934	86 12 19	Coldwater MTS	Sale of Assets

## (v) COMMISSION ORDERS ISSUED - 1986

ORDER	DATE ISSUED	APPLICANT	PURPOSE
4935	86 12 31	Durham Telephones Limited	Amend Appendix 6 to T.A. with Bell Canada
4936	86 12 31	Otonabee Telephones Ltd.	Amend Appendix 6 to T.A. with Bell Canada
4937	86 12 31	Roxborough Telephone Co. Ltd.	Amend Appendix 6 to T.A. with Bell Canada
4938	86 12 31	Durham Telephones Limited	Rates - Depreciation
4939	86 12 31	Huronario Telephones Limited	Rates - ELG Depreciation
4940	86 12 31	Huronario Telephones Limited	Rate - Auto Answer Modem
4941	86 12 31	Kenora ITS	Rates - Vantage 48C and OX8 Station Card
4942	86 12 31	Lansdowne Rural Tel. Co. Ltd.	Rate - Uniden EX-1040
4943	86 12 31	North Norwich Telephones Ltd.	Rates - Depreciation
4944	86 12 31	North Norwich Telephones Ltd.	Indebtedness - \$1,750,000
4945	86 12 31	North Renfrew Tel. Co. Ltd.	Rate - Uniden EX-1040 (2 Line Telephone Set)
4946	86 12 31	Northern Telephone Limited	Rates - 1987 Depreciation
4947	86 12 31	Otonabee Telephones Limited	Rates - Depreciation











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# Ontario Telephone Service Commission



## Annual Report 1987









Minister  
ministre

Ministry of  
Culture and  
Communications

Ministère de la  
Culture et des  
Communications

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(416) 965-8098

6<sup>e</sup> étage  
77 ouest, rue Bloor  
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(416) 965-8098

The Honourable L. M. Alexander, FC, QC, C.St.J, BA  
Lieutenant Governor of Ontario  
Legislative Building  
Queen's Park  
Toronto, Ontario

MAY IT PLEASE YOUR HONOUR

I beg leave to present the 1987 Annual Report of  
the Ontario Telephone Service Commission for the  
year ending December 31, 1987.

Respectfully submitted,

Lily Oddie Munro  
Minister





Ontario  
Telephone Service  
Commission

Suite 200  
3625 Dufferin St.  
Downsview Ontario  
M3K 1Z2  
416/235-4950

May 20, 1988

The Honourable Lily Munro  
Minister of Culture  
and Communications  
77 Bloor Street West  
6th Floor  
Toronto, Ontario  
M7A 2R9

Dear Dr. Munro:

I have the honour to present herewith the Annual Report of the Ontario Telephone Service Commission for the year ending December 31, 1987.

Respectfully submitted,

  
V. W. Bielski, Q.C.  
Chairman



# *OTSC ANNUAL REPORT - 1987*

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## *CHAIRMAN'S MESSAGE*

It is my pleasure and privilege to present the Ontario Telephone Service Commission's Annual Report for 1987. This is the first time this Report is being presented to the Minister of Culture and Communications. The linking of Culture and Communications has certainly been a good match, particularly as many of the issues in these industries are similar in the public policy arena.

In many ways 1987 was a year to break new ground in telecommunications in order to establish a public policy framework in which federal and provincial concerns are most optimally met. Throughout 1987, the Commission has had to consider the impact of decisions made in other jurisdictions on Independent Telephone Systems in Ontario. This has meant not only being reactive, but proactive as well. Through cooperative studies the Commission is considering and anticipating the optimal kinds of agreements between carriers and regulators in an environment of change.

This focus will certainly be ongoing in 1988.

The Commission is looking forward to the challenges of 1988.

V. W. Bielski, Q.C.,  
Chairman.

# THE COMMISSION

The Ontario Telephone Service Commission is a provincial regulatory body which is responsible to hear and decide all applications filed by the industry as well as the public and to proceed on such matters. The Commission issues Orders and directions as is necessary for the regulation of the thirty independent telephone systems in Ontario. In 1987, the Commission consisted of a Chairman, a Vice-Chairman and five members, as appointed by the Lieutenant Governor in Council.

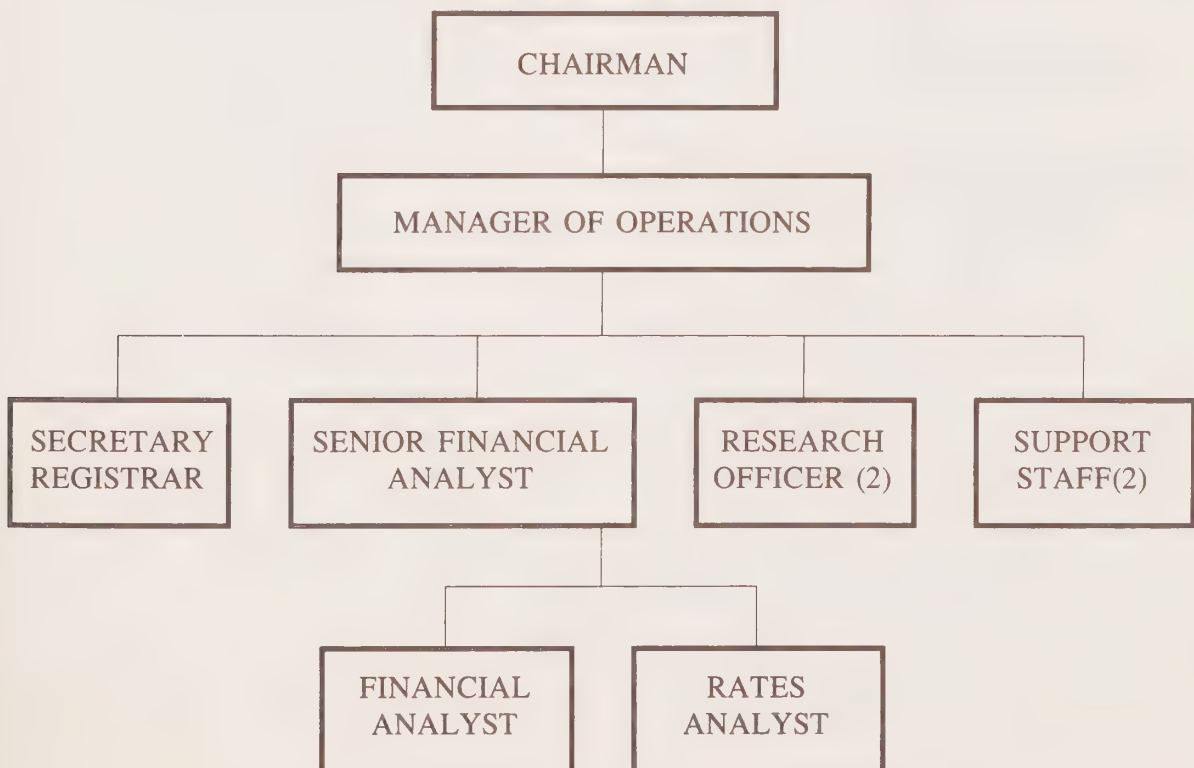
Chairman	Mrs. V. W. Bielski, Q.C.
Vice-Chairman	Ms. A. E. Stahmer
Member	Mrs. G. Dale
Member	Ms. L. A. Green
Member	Mr. R. G. Grzela
Member	Mr. G. E. Kaiser
Member	Mr. G. C. Rennick

The Commission's governing statute is the Telephone Act, R.S.O. 1980,c.496, as amended by 1983, c.71.

In 1987, the Commission issued 154 Orders and held sixteen public hearings, one in Thunder Bay, one in Port Franks, one in Mattice/Timmins and 13 in Toronto.

The Commission is assisted by a staff of nine. The following chart outlines the present organizational structure of the Commission.

## COMMISSION STAFF ORGANIZATIONAL STRUCTURE



## *CUSTOMER COMPLAINTS AND INQUIRIES*

Pursuant to section 6 of the Telephone Act, the Commission has the mandate to hear all applications of complaints and inquiries from customers concerning the quality of service, rates and management policies of their telephone system.

Telephone systems have exclusive rights to provide local telephone service in their respective territories. While customers may not have the choice as to which system serves them,

the statutory law ensures that adequate and efficient service must be available to all customers in the territory in which the telephone systems operate.

Customers can seek recourse from the Commission should they have a dispute with their telephone system. In 1987, the Commission received approximately 140 individual submissions, complaints and inquiries.

# *REGULATORY ISSUES AND MAJOR DECISIONS*

## **THE TRAFFIC AGREEMENT SETTLEMENT BETWEEN INDEPENDENT TELEPHONE SYSTEMS AND BELL CANADA**

On October 14, 1986, the Canadian Radio-television and Telecommunications Commission, rendered Bell Canada - Review of Revenue Requirement for the years 1985, 1986, 1987 Telecom Decision CRTC 86-17.

As a result of this decision, Bell Canada was required to lower rates for long distance telephone service. The Ontario Telephone Service Commission is aware that many of the Independent Telephone Systems (Independents) under its jurisdiction earn a high percentage of their total revenue through toll. It was also clear to the Commission that given the method of calculation of toll settlements and the current uniformity of long distance rates between Independents and Bell Canada, CRTC Telecom Decision 86-17 would have an impact on revenues of Independents. The Commission has been monitoring the appropriateness of the current form of traffic agreement and associated settlement arrangements, in the increasingly competitive environment. CRTC Telecom Decision 86-17 however made it clear that an immediate study was imperative.

The Commission initiated, on its own motion, a public hearing to investigate the toll sharing arrangement between Independents and Bell Canada vis-a-vis the Traffic Agreement. In addition, the Commission reviewed the magnitude of the impact on toll reduction with regard to the public interest. The hearing was held on December 9, 1986 and participants included most of the Independent Telephone Systems, the Ontario Telephone Association, Ontario Northland Transportation Commission, Bell Canada, CNCP Telecommunica-

tions and the Canadian Independent Telephone Association.

After the hearing, where evidence was heard, the Commission was convinced that CRTC Telecom Decision 86-17 may have an impact on the Independents and as such would have to be dealt with expeditiously. However, the Commission was not satisfied with the estimates of the impact indicated at the hearing.

As a result of the hearing the Commission issued Order No. 4948 dated January 15, 1987 and thereby committed itself to review the revenue adequacy of each Independent under its jurisdiction. This would commence with nine systems that had filed for rate relief immediately after Decision 86-17, and thereafter with all other Independents in a sequence and time-frame determined by the Commission.

Financial hearings were held in the Commission offices for the nine telephone systems which applied for rate relief as a direct result of CRTC Telecom Decision 86-17. These nine systems are listed below:

Coldwater Municipal Telephone System  
Durham Telephones Limited  
Lansdowne Rural Telephone Company Ltd.  
Manitoulin Island Telephone Company Ltd.  
North Norwich Telephones Limited  
Northern Telephone Limited  
Otonabee Telephones Limited  
Roxborough Telephone Company Limited  
Westport Telephone Company, Limited

Manitoulin Island Telephone Company Ltd. and Northern Telephone Limited had both applied for a toll surcharge to offset losses in toll. Northern Telephone Limited also applied for a local telephone service rate increase as an alternative to the toll surcharge. The other seven systems applied for an increase in local telephone service rates.



Five of the seven telephone systems that had applied for an increase in local telephone service rates were granted some increase based on their filings, while two were denied.

Manitoulin Island Telephone Company Limited and Northern Telephone Limited were directed to explore conventional revenues for achieving necessary increases. Both systems were directed to initiate discussions and to make application to Bell Canada and the Ontario Northland Transportation Commission respectively, with a view to reaching agreement where the Applicant would be entitled to receive additional toll revenue requirements.

Northern Telephone Limited has negotiated a settlement while Manitoulin Island Telephone Company Limited is continuing to negotiate.

The Commission ordered the Independents who had not filed applications to prepare full statements of forecasted financial position with supporting documentation for the year 1987 and such further period as financial forecasting would allow, no later than May 15, 1987. All systems filed in 1987 and are in the process of being reviewed.

## **GENERAL RATE APPLICATIONS**

The Commission received General Rate Applications from the following telephone systems in 1987:

Hurontario Telephones Limited  
Kenora Municipal Telephone System  
North Frontenac Telephone Company Ltd.  
Northern Telephone Limited  
People's Telephone Company of Forest Ltd.  
Thunder Bay Telecommunications  
Wightman Telephone Limited

For reasons including the number of subscriber submissions and petitions received, the OTSC decided to hold three of the public hearings in the Applicant's territory. The remaining hearings were held in the Commission's office.

Final Orders were issued for North Frontenac and Wightman Telephone Ltd. in 1987. An increase of \$70,589 and \$12,273 additional revenue was approved respectively.

## **REGIONAL PUBLIC HEARINGS**

Hearings held in the Applicant's territory were for the following telephone systems:

Hurontario Telephones Limited  
Northern Telephone Limited  
Thunder Bay Telecommunications

### **Hurontario Telephones Limited**

A public notice of application was mailed to customers on July 15, 1987. As a result the Commission received several submissions including a petition from Port Franks.

Until the time of this application, it had been 17 years since a filing for a General Rate Application from Hurontario Telephones Limited was received. For this reason, primarily, the Commission decided to hold a hearing in the customers' area. Port Franks was the location chosen because of the number of customers that had indicated a concern about the proposed increase through their petition.

### **Northern Telephone Limited**

A public notice of application was mailed to customers on August 17, 1987. In response, the Commission received 28 customer submissions, including a petition from the Township of Mattice. The major issue raised by the



residents of Mattice was the availability of Direct Distance Dialing. The Commission held a public hearing in Mattice on December 7, 1987 to hear those concerns. The public hearing was continued in Timmins on December 8, 1987. Public comments were also heard on that date.

### **City of Thunder Bay, Telecommunications Department**

A public notice of general rate application inviting public comments was issued on May 6, 1987. In response the Commission received 63 submissions including a petition from the Township of Oliver.

Further information was required from the telephone system for the Commission to make its decision. At the end of 1987, the Commission was awaiting the undertakings the City of Thunder Bay Telecommunications Department had agreed to provide.

All submissions addressed the issue of the proposed increase for local service rates and indicated concern about the magnitude of the increase in the light of recent trends in the rate of inflation. Further, many of the submissions dealt with the impact on rural customers from the recent introduction of mileage based access charges resulting from Commission Order No. 4930 dated November 14, 1986. Due to the overwhelming response from customers, the Commission felt it imperative to hold a public hearing in the City of Thunder Bay so that customers' concerns could be heard.

During the public hearing, it became apparent that those affected by the rural rate restructuring did not understand how or why their bill had changed.

The Commission directed Thunder Bay Telecommunications to provide a full explanation to those customers affected. In addition, the Commission undertook to conduct a study of the methodology of rate calculation in the rural areas particularly in regard to Locality Rate Areas. The study is expected to be completed and made public in 1988.

### **CITY OF THUNDER BAY TELECOMMUNICATIONS DEPARTMENT-TELECO SUPPLY - COMPLAINT**

The Commission received a complaint from Teleco Supply Limited (Teleco) on March 26, 1986 with respect to certain practices of the City of Thunder Bay Telecommunications Department (TBT).

Teleco, a telecommunications equipment supplier claimed that TBT was violating Commission Order No. 4276 which permitted terminal attachment to the telephone systems and provided conditions for telephone systems to sell equipment. Included in the complaint were a series of allegations regarding the business conduct of the staff of TBT.

The main focus of the investigation by the Commission in 1987 was on the production of information. Teleco alleged that TBT was not producing information required to support their complaint. TBT on the other hand viewed that production of some information would damage their position in the market.

Through a series of pre-hearing teleconferences and in camera conferences with all parties the Commission has been adjudicating on the information that may be produced at the time of a public hearing. It is anticipated that this case may be resolved in the early part of 1988.

## **OTSC/REGIE DES SERVICES PUBLIC DU QUEBEC - JOINT INQUIRY ON THE TRAFFIC AGREEMENT BETWEEN THE INDEPENDENTS IN ONTARIO AND QUEBEC AND BELL CANADA**

As the Commission recognized the importance of reviewing current revenue sharing arrangements between Bell Canada and the Independents, so did the Regie des Services Public recognize the importance of a similar review. The Regie regulates 11 utilities and faces many of the same questions as the OTSC.

As a result, the OTSC and the Regie agreed to undertake a joint inquiry in order to analyze the traffic agreements and to determine the terms and conditions of a just and reasonable sharing of long distance revenues between provincially-regulated telephone utilities and Bell Canada, a federally-regulated utility.

The Terms of Reference of the Joint Inquiry are as follows:

- the impact of decreases in the long distance rates of Bell Canada on the Independent Telephone Systems (local exchange carri-

ers) in Ontario in respect to the Traffic Agreement between themselves and Bell Canada;

- the impact of the proposed rate rebalancing of the local and long distance rates of Bell Canada on the Traffic Agreement between the Independent Telephone Systems in Ontario and Bell Canada;
- the impact of decreases in the long distance rates of Bell Canada and the impact of the proposed rate rebalancing on the subscribers (in respect to the Traffic Agreement);
- the fair and equitable principles of long distance revenue-sharing between the Independent Telephone Systems and Bell Canada which may lead to the necessity of establishing a new Traffic Agreement; and
- any other relevant matters.

Ms. Anna Stahmer and Ms. Lyndsay Green of the OTSC and Mr. Jean-Claude Duschene and Mr. Jean-Pierre Gauvreau of the Regie have been appointed to conduct the study, supported by staff of the two Commissions. It is expected that the study will be completed by mid-1988.

## APPENDIX (I)

Type of Entity of the Independent Telephone Systems Operating in Ontario in 1987.

	<u>SYSTEMS</u>		<u>TELEPHONES</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
Systems operated as public utilities by municipal corporations	5	16.7	79,340	40.9
Municipal Systems	8	26.7	26,068	13.5
Incorporated companies	<u>17</u>	<u>56.7</u>	<u>88,343</u>	<u>45.6</u>
TOTAL:	<u>30</u>	<u>100.0</u>	<u>193,751</u>	<u>100.0</u>

## APPENDIX (II)

Size Distribution of the Independent Telephone Systems Operating in Ontario 1985.

<u>No. of Telephones</u>	<u>No. of Systems</u>	<u>Percent (rounded)</u>
0 - 500	1	3.0
501 - 1,000	3	10.0
1,001 - 2,000	11	37.0
2,001 - 3,000	6	20.0
3,001 - 4,000	4	13.0
4,001 - 5,000	0	0.0
5,001 - 10,000	3	10.0
10,001 - 50,000	0	0.0
50,001 - 100,000	<u>2</u>	<u>7.0</u>
	<u>30</u>	<u>100.0</u>

## APPENDIX (III)

Net growth of the Telephone Industry in Ontario since 1980.

<u>Dec. 31</u>	<u>No. of Systems</u>	<u>Network Access Lines</u>	<u>% Change</u>
1980	31	162,887	
1981	31	165,687	1.70
1982	31	167,568	1.10
1983	31	171,421	2.30
1984	30	174,741	2.40
1985	30	178,527	2.20
1986	30	185,160	3.70
1987	30	193,751	4.60

# APPENDIX (IV)

## SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1987

	NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NO.	EXCHANGES	NETWORK ACCESS LINES
3	Abitibi-Price Incorporated	F. R. Robar Electrical Superintendent	Iroquois Falls P0K 1E0 (705) 258-3241	Iroquois Falls	768
3	Amtelecom Incorporated	D. W. Ingram President and General Manager	18 Sydenham Street Aylmer N5H 1L2 (519) 773-8441	Aylmer Cambray Dyer's Bay Lion's Head Port Burwell Stokes Bay Stratfordville Tobermory	5,030 762 285 1,015 690 118 1,062 712 9,674
2	Blanshard Municipal Telephone System	B. W. Skinner Manager	Kirkton N0K 1K0 (519) 229-8933	Granton Kirkton Sebringville Uniondale	572 981 1,171 454 3,178
2	Brooke Municipal Telephone System	E. Chapman Manager	315 Park Street Dresden N0N 1K0 (519) 683-2055	Alvinston Inwood Watford	310 490 541 1,341
2	Bruce Municipal Telephone System	J. T. Scurfield Manager	P.O. Box 580 Kincardine N2Z 2Z1 (519) 396-3322	Kincardine Paisley Port Elgin Tiverton	4,062 911 3,746 1,190 9,909
1	Cochrane Public Utilities Commission	R. V. Nichols General Manager Secretary-Treasurer	153 Sixth Avenue P.O. Box 640 Cochrane P0L 1C0 (705) 272-4232	Cochrane	2,599



## SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1987

	NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NO.	EXCHANGES	NETWORK ACCESS LINES
3	Coldwater Communications Inc.	Ian Murray Manager	18 Sydenham Street Aylmer, N5H 1L (705) 686-3698		988
1	Dryden Municipal Telephone System	J. C. Callan Secretary and Business Manager	30 Van Horne Avenue Dryden P8N 2A7 (807) 223-2225	Dryden	3,747
3	Durham Telephones Limited	J. E. Downs General Manager	63 Brule Gardens Toronto M6S 4J5 (416) 767-4042	Cavan Millbrook	474 <u>1,062</u> 1,536
2	Gosfield North Municipal Telephone System	J. Helkie Manager	P.O. Box 130 Cottam N0R 1B0 (519) 839-4734	Cottam	1,215
2	Hay Municipal Telephone System	W. H. Wagner Manager and Secretary-Treasurer	P.O. Box 99 Zurich N0M 2T0 (519) 236-4333	Dashwood Grand Bend Zurich	459 2,228 <u>1,105</u> 3,792
2	Huron and Kinloss Municipal Telephone System	G. Grubb Manager	P.O. Box 220 Huron Street Ripley N0G 2R0 (519) 395-2625	Dungannon Ripley	910 <u>1,907</u> 2,817
3	Hurontario Telephones Limited	K. V. Stevens Manager	P.O. Box 59 Thedford N0M 2N0 (519) 296-4926	Port Franks Thedford	1,165 <u>597</u> 1,762
1	Keewatin Municipal Telephone System	C. Wasacase Chairman of Board Municipal Council	P.O. Box 139 Keewatin P0X 1C0 (807) 547-2881	Keewatin	934



## SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1987

	NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NO.	EXCHANGES	NETWORK ACCESS LINES
1	Kenora Municipal Telephone System	P. Lawton Operating Head	P.O. Box 1110 Kenora P9N 3X7 (807) 468-7046	Kenora	5,924
3	Lansdowne Rural Telephone Company Limited	W. A. Grier General Manager	P.O. Box 9 Lansdowne K0E 1L0 (613) 659-2221	Lansdowne	1,607
3	Manitoulin Island Telephone Company Limited	D. Patrick Operating Head	Manitowaning Mindemoya, Ontario	Manitowaning Mindemoya	1,071 1,137 2,208
2	Mornington Municipal Telephone System	E. J. Bay Secretary-Treasurer	16 Mill Street Milverton N0K 1M0 (519) 595-8331	Milverton	1,648
3	North Frontenac Telephone Corporation Limited	H. J. Schmidt Secretary-Treasurer	P.O. Box 130 Baden N0B 1G0 (519) 634-5300	Parham Sharbot Lake	597 921 1,518
3	North Norwich Telephones Ltd.	K. V. Stevens Manager	P.O. Box 33 Burgessville N0J 1C0 (519) 424-9801	Burgessville Norwich Woodscotk (S) (S)	890 333 359 1,582
3	North Renfrew Telephone Company Limited	W. Vandekemp Manager	P.O. Box 70 Beachburg K0J 1C0 (613) 582-3600	Beachburg Pembroke Westmeath (S)	582 312 387 1,281

## SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1987

	NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NO.	EXCHANGES	NETWORK ACCESS LINES
3	Northern Telephone Limited	M. W. Cooper President and Chief Executive Officer	25 Paget Street Box H New Liskeard P0J 1P0 (705) 647-7311	Abitibi Canyon Calstock Cobalt Cochrane (S) Connaught Detour Lake Earlton Elk Lake Englehart Fauquier Gowganda Haileybury Hearst Iroquois Falls Kamiskotia Kapusking Kirkland Lake Larder Lake Latchford Matachewan Matheson Mattice Moonbeam New Liskeard Opasatika Opishong Ramore Smooth Rock Falls South Porcupine Swastika Timmins Virginiatown	31 121 900 750 209 21 976 257 1,703 248 87 1,977 3,159 2,154 78 5,366 5,490 468 151 205 800 343 642 4,160 143 14 396 950 3,316 867 17,321 469 <u>53,771</u>  1,120
3	Otonabee Telephones Limited	J. E. Downs General Manager	63 Brule Gardens Toronto M6S 4J5 (416) 767-4042	Keene	

## SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1987

	NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NO.	EXCHANGES	NETWORK ACCESS LINES
3	People's Telephone Company of Forest, Limited (The)	R. K. Sutherland General Manager	P.O. Box 700 Forest N0N 1J0 (519) 786-2351	Aberarder Arkona Forest	730 539 <u>2,451</u> 3,720
3	Roxborough Telephone Company Limited	J. W. Beach Manager	P.O. Box 179 Moose Creek K0C 1W0 (613) 538-2800	Moose Creek	441
3	South Bruce Rural Telephone Company Limited	L. E. Hale Manager	1 Clinton Street Teeswater N0G 2S0 (519) 392-6807	Mildmay Teeswater	1,197 <u>1,005</u> 2,202
1	Thunder Bay Telecommunications	S. Hacio Manager	241 Vickers Street South Thunder Bay P7E 1J5 (807) 625-2121	Court Street Current River MacKenzie Murillo Riverview Rosslyn Shuniah Vickers Street	19,769 2,936 865 778 14,291 1,568 8,021 <u>17,908</u> 66,136
2	Tuckersmith Municipal Telephone System	M. Graham Secretary-Treasurer	R.R. #1 Varna N0M 2R0 (519) 482-9908	Bayfield Clinton Hensall Seaforth	958 371 374 <u>465</u> 2,168
3	Westport Telephone Company	H. A. Lynn Manager	P.O. Box 252 Westport K0G 1X0 (613) 273-2121	Westport	1,577
3	Wightman Telephone Limited	R. Wightman President	P.O. Box 70 Clifford N0G 1M0 (519) 327-8012	Ayton Clifford Gorrie Neustadt	450 630 1,160 <u>348</u> 2,588
	<b>TOTAL:</b>				<u>193,751</u>

SUMMARY OF INDEPENDENT TELEPHONE SYSTEMS DATA AS AT DECEMBER 31, 1987				
NAME OF SYSTEM	OPERATING HEAD	ADDRESS AND TELEPHONE NO.	EXCHANGES	NETWORK ACCESS LINES
	<p>GROUPS:</p> <ol style="list-style-type: none"> <li>1. Systems established under The Telephone Act by municipal corporations as public utilities.</li> <li>2. Systems established under The Telephone Act by, and vested in municipal corporations in trust for the benefit of the subscribers and operated by municipal council or by a commission elected by the subscribers.</li> <li>3. Incorporated companies.</li> </ol>			

COMMISSION ORDERS ISSUED - 1987			
ORDER	DATE ISSUED	APPLICANT	PURPOSE
4948	87 01 15	Ontario Telephone Service Commission CRTC	CRTC Telecom Decision 86-17 - Impact
4949	87 01 30	Thunder Bay Telecommunications	Rate - 911 Emergency Service - \$.35
4950	87 02 04	Coldwater M.T.S.	Rates - Increase in Local Telephone Service
4951	87 02 09	Thunder Bay Telecommunications	Installation of Circuit - CNCP
4952	87 02 09	Thunder Bay Telecommunications	Installation of Additional Tie Trunks
4953	87 02 17	Coldwater Communications Inc.	Evidence of Indebtedness - \$750,000
4954	87 02 20	Northern Telephone Limited	Interlocutory Order/Toll Surcharge
4955	87 02 20	Manitoulin Island Tel. Co. Ltd.	Interlocutory Order/Toll Surcharge
4956	87 03 06	Hurontario Telephones Limited	Rates - Custom Calling Services
4957	87 03 06	Thunder Bay Telecommunications	Miscellaneous Equipment
4958	87 03 06	Thunder Bay Telecommunications	Miscellaneous Data Equipment
4959	87 03 06	Thunder Bay Telecommunications	Rates - N.S.F. Cheque Charge
4960	87 03 06	Thunder Bay Telecommunications	Rates - Late Payment Charge
4961	87 03 10	Wighman Telephone Limited	Elimination of Miscellaneous Equipment Rates
4962	87 03 10	Lansdowne Rural Telephone	Change in Rates for Local Telephone Service
4963	87 03 12	Westport Rural Telephone	Change in Rates for Local Telephone Service
4964	87 03 12	Durham Telephones Ltd.	Change in Rates for Local Telephone Service
4965	87 03 12	Otonabee Telephones Limited	Change in Rates for Local Telephone Service
4966	87 03 13	North Norwich Telephones Limited	Change in Rates for Local Telephone Service
4967	87 03 13	Roxborough Telephone Company Limited	Change in Rates for Local Telephone Service
4968	87 03 17	Corporation of the T/Ship of Westmeath	Change in Rates for Local Telephone Service
4969	87 03 23	Hay MTS	Approval of By-Law 86-19
4970	87 03 23	North Frontenac Tel. Co. Ltd.	Traffic Agreement with Bell Canada
4971	87 03 23	Roxborough Telephone Company Limited	Traffic Agreement with Bell Canada
4972	87 03 24	Antelecom Inc.	Rates - Centrex Service
4973	87 03 24	Bruce MTS	Date of Annual Meeting
4974	87 03 24	Dryden MTS	Rates - Miscellaneous Equipment



COMMISSION ORDERS ISSUED - 1987			
ORDER	DATE ISSUED	APPLICANT	PURPOSE
4975	87 03 24	Lansdowne Rural Tel. Co. Ltd.	Rates - Change in Depreciation Rates
4976	87 04 03	Gosfield North MTS	Rates - Custom Calling Features
4977	87 04 08	Huron Kinloss MTS	Rates - Miscellaneous Equipment
4978	87 04 13	Keewatin MTS	N.S.F. Cheque Charges and Late Payment Charges
4979	87 04 14	Kenora MTS	Rates - Miscellaneous Equipment
4980	87 04 14	Durham Telephones Limited	Rates - Signature/Custom Calling/Vertical Service Package
4981	87 04 14	Durham Telephones Limited	Waive - Administration Charge
4982	87 04 14	Otonabee Telephones Ltd.	Rates - Signature/Custom Calling/Vertical Service Package
4983	87 04 14	Otonabee Telephones Ltd.	Waive - Administration Charge
4984	87 04 21	Kenora MTS	Rates - Vantage Equipment
4985	87 04 24	Kenora MTS	Change in the Vantage 12 Key System Unit Rate
4986	87 04 24	Manitoulin Island	Interlocutory Order/Toll Surcharge
4987	87 04 24	Coldwater Communications Inc.	Approval of Rate Structure
4988	87 05 05	Kenora MTS	Miscellaneous Equipment
4989	87 05 05	Cochrane	Date for Filing of Required Annual Returns
4990	87 05 05	Thunder Bay Telecommunications	Revision of Traffic Agreement with Bell Canada
4991	87 05 19	Huronario Telephones Limited	Rate - Signature Telephone Feature
4992	87 05 19	Huronario Telephones Limited	Rates - Delphi Handsfree Telephone Set
4993	87 07 19	Huron & Kinloss MTS	Rate - Security Deposit
4994	87 05 19	Huron & Kinloss MTS	Rate - 20 Watt Amplifier
4995	87 05 19	Kenora MTS	Rates - Multi-Element Service Charges
4996	87 05 19	Kenora MTS	Rates - Touch Tone Service
4997	87 05 19	Kenora MTS	Rate - NRSC - Vantage 48 Key System
4998	87 05 19	North Norwich Telephones Limited	Rates - Delphi Handsfree Telephone Set
4999	87 05 19	South Bruce Rural Tel. Co. Ltd.	Rate - Security Deposit
5000	87 05 20	Amtelecom Inc.	Rate - FIF2 Subset Alarm System
5001	87 05 20	Blanshard MTS	Rates - Vantage 48 Key System

# APPENDIX (V)

COMMISSION ORDERS ISSUED - 1987			
ORDER	DATE ISSUED	APPLICANT	PURPOSE
5002	87 06 08	Blanshard MTS	Amended Appendix 2 to the Traffic Agreement with Bell Canada
5003	87 06 08	Dryden MTS	Amended Appendix 2 to the Traffic Agreement with Bell Canada
5004	87 06 08	Wightman Telephone Limited	Amended Appendix 2 to the Traffic Agreement with Bell Canada
5005	87 06 08	Brooke MTS	Amended Appendix 2 to the Traffic Agreement with Bell Canada
5006	87 06 08	Gosfield North MTS	Amended Appendix 2 to the Traffic Agreement with Bell Canada
5007	87 06 08	Hay MTS	Amended Appendix 2 to the Traffic Agreement with Bell Canada
5008	87 06 08	Huron and Kinloss MTS	Amended Appendix 2 to the Traffic Agreement with Bell Canada
5009	87 06 08	Huronario Telephones Limited	Amended Appendix 2 to the Traffic Agreement with Bell Canada
5010	87 06 08	Keewatin MTS	Amended Appendix 2 to the Traffic Agreement with Bell Canada
5011	87 06 08	Kenora MTS	Amended Appendix 2 to the Traffic Agreement with Bell Canada
5012	87 06 08	Manitoulin Island Telephone Company Limited	Amended Appendix 2 to the Traffic Agreement with Bell Canada
5013	87 06 08	Mornington MTS	Amended Appendix 2 to the Traffic Agreement with Bell Canada
5014	87 06 08	North Frontenac Tel. Co. Ltd.	Amended Appendix 2 to the Traffic Agreement with Bell Canada
5015	87 06 08	People's Telephone Company of Forest Ltd.	Amended Appendix 2 to the Traffic Agreement with Bell Canada
5016	87 06 08	Thunder Bay Telecommunications	Amended Appendix 2 to the Traffic Agreement with Bell Canada
5017	87 06 08	Roxborough Telephone Company Limited	Amended Appendix 2 to the Traffic Agreement with Bell Canada

## COMMISSION ORDERS ISSUED - 1987

ORDER	DATE ISSUED	APPLICANT	PURPOSE
5018	87 06 08	North Norwich Telephones	Amended Appendix 2 to the Traffic Agreement with Bell Canada
5019	87 06 08	North Renfrew Telephone Co. Ltd.	Amended Appendix 2 to the Traffic Agreement with Bell Canada
5020	87 06 08	Tuckersmith MTS	Amended Appendix 2 to the Traffic Agreement with Bell Canada
5021	87 06 12	Thunder Bay Telecommunications	Change in Rates for Telephone Service Under Rate Bundling
5022	87 06 12	Northern Telephone Limited	Custom Calling Features and Features Packages
5023	87 06 12	Thunder Bay Telecommunications	Ring Detection Relay
5024	87 06 12	Thunder Bay Telecommunications	Miscellaneous Equipment
5025	87 06 12	Otonabee Telephones Limited	Solo Telephone Set, and "Vanity" Telephone Numbers
5026	87 06 12	Durham Telephones Limited	Solo Telephone Set, and "Vanity" Telephone Numbers
5027	87 06 12	Amtelecom Inc.	Paging Access Numbers
5028	87 06 12	Amtelecom Inc.	Centrex Business Sets
5029	87 06 12	Northern Telephone Limited	Waive Specific Charges for Limited Period
5030	87 06 12	Mornington MTS	Vertical Services, Electronic Key, Signature Telephone and Pay Station
5031	87 06 12	Mornington MTS	Custom Calling Features and Vertical Service Packages
5032	87 06 12	Kenora MTS	Semi-Public Pay Phone Rate
5033	87 06 12	Dryden MTS	Wheelock ESBTIS Electronic Ringer
5034	87 06 12	North Norwich Telephones Ltd.	Custom Calling Features and Vertical Service Package
5035	87 06 12	North Norwich Telephones Ltd.	Signature Telephone Set, Semi-Public Coin Telephone and Coin Phone
5036	87 06 12	South Bruce Rural Tel. Co.	Recorder with Remote
5037	87 06 16	Bruce MTS	Amended Appendix 2 to the Traffic Agreement with Bell Canada
5038	87 06 24	Thunder Bay Telecommunications	Teleco vs TBT Violations of the Telephone Act
5039	87 06 25	Kenora MTS	Miscellaneous Rates

COMMISSION ORDERS ISSUED - 1987			
ORDER	DATE ISSUED	APPLICANT	PURPOSE
5040	87 06 25	People's Telephone Co. of Forest Ltd.	Custom Calling Features
5041	87 06 25	Coldwater Communications Inc.	Late Payment Charge
5042	87 06 25	Huron & Kinloss MTS	Technico 2-line Telephone Sets
5043	87 06 25	Northern Telephone Limited	Station Connections
5044	87 06 25	Northern Telephone Limited	Toll Surcharge
5045	87 07 03	Amtelecom Inc.	Rate - QVF 12C Loop Signalling Repeater
5046	87 07 06	Dryden MTS	Rates - Miscellaneous Equipment
5047	87 07 13	North Norwich	Foreign Exchange Line Mileage
5048	87 07 13	Kenora MTS	Key Telephone Systems
5049	87 07 15	Keewatin MTS	Rates - SX-10 Equipment
5050	87 07 16	Kenora MTS	Deletion of NR Charge for Coloured Telephone Sets from Existing Tariff
595\$	87 07 16	Northern Telephone Limited	Rates - Custom Calling Features and Features Packages
5052	87 07 16	Dryden MTS	Rates - Solo Touchtone Dial-In-Handset Telephone Set
5053	87 07 16	Thunder Bay Telecommunications	Revision to Appendix 2, section 2.7 to T.A. with Bell Canada
5054	87 07 16	Hurontario Telephones Limited	Rates - Solo Telephone Set and the Contempra Telephone Set
5055	87 07 16	North Norwich Telephones Ltd.	Rates - Solo Telephone Set and the Contempra Telephone Set
5056	87 09 11	Keewatin MTS	Indebtedness
5057	87 09 21	Amtelecom Inc.	Rate - 20 Button Add-on
5058	87 09 21	Hay MTS	Rates - Solo Telephone Set
5059	87 09 21	Huron and Kinloss MTS	Rates - Change in Rates for Certain Telephone Equipment
5060	87 09 21	Durham Telephones Limited	Rates - Miscellaneous Equipment
5061	87 09 21	Dryden MTS	Rates - Miscellaneous Equipment
5062	87 09 21	Dryden MTS	Rates - Custom Calling Features
5063	87 09 21	Kenora MTS	Rates - Miscellaneous Equipment
5064	87 09 21	Northern Telephone Limited	Rate - Revised Provisional Depreciation Rate (St. Conn.Acct.)
5065	87 09 21	Northern Telephone Limited	Revision to Rate Group - Latchford Exchange



COMMISSION ORDERS ISSUED - 1987			
ORDER	DATE ISSUED	APPLICANT	PURPOSE
5066	87 09 21	Otonabee Telephones Ltd.	Rates - Miscellaneous Equipment
5067	87 09 21	Northern Telephone Limited	Rates - Special Assembly
5068	87 09 21	Keewatin MTS	Rates - Superset 4 Telephone Set
5069	87 10 28	Kenora MTS	Telephone Accounting Systems and S1 - 1st PABX Optional Equipment
5070	87 10 28	Coldwater Communications Inc.	Traffic Agreement with Bell Canada
5071	87 10 30	Amtelecom Inc.	Rate - Music on Hold Feature
5072	87 10 30	People's Tel. Co. of Forest Ltd.	Rates - Solo Telephone Set
5073	87 10 30	Northern Telephone Limited	Rates - Solo Telephone Set
5074	87 10 30	Thunder Bay Telecommunications	Rates - Miscellaneous Equipment
5075	87 11 04	Northern Telephone Limited	Amend and Add Concession Items for Telephone Service
5076	87 11 06	Ontario Telephone Service Commission	Accounting for Station Connections Costs
5077	87 11 16	Manitoulin Island Tel. Co. Ltd.	Comparative Requirements Test Supplement with Bell Canada
5078	87 12 10	Amtelecom Inc.	Rates - Intercom System Miscellaneous Equipment
5079	87 12 10	Blanshard MTS	Rates - Depreciation
5080	87 12 10	Durham Telephones Limited	Rates - Telematrix Equipment
5081	87 12 10	Keewatin MTS	Rates - Vantage 12 KSU and Esprit Telephone Sets
5082	87 12 10	Kenora MTS	Rates - Enhanced Citation Telephone Set
5083	87 12 10	Kenora MTS	Rates - Vantage 8 KSU and Vantage 12 KSU
5084	87 12 10	Kenora MTS	Rates - Vantage 4 KSU
5085	87 12 10	Kenora MTS	Rates - 48C KSU Vantage Elec.Key Telephone System
5086	87 12 10	Lansdowne Rural Tel. Co. Ltd.	Rates - Depreciation
5087	87 12 10	North Norwich Telephones Ltd.	Rates - Single Line Intercom Feature
5088	87 12 10	North Norwich Telephones Ltd.	Rates - Depreciation
5089	87 12 10	Otonabee Telephones Ltd.	Rates - Telematrix Equipment
5090	87 12 10	Tuckersmith MTS	Rates - Custom Calling Features
5091	87 12 10	Westport Telephone Co. Ltd.	Rates - Miscellaneous Equipment



COMMISSION ORDERS ISSUED - 1987			
ORDER	DATE ISSUED	APPLICANT	PURPOSE
5092	87 12 15	Wightman Telephone Limited	Additional Revenue Requirement
5093	87 12 15	Dryden MTS	Rates - Multi-Element Service Charges
5094	87 12 15	North Norwich Telephones Ltd.	Comparative Requirements Test with Bell Canada
5095	87 12 15	People's Tel. Comany of Forest Ltd.	Rates - Depreciation
5096	87 12 15	People's Tel. Company of Forest Ltd.	Rates - Uniden Two-Line Telephone Set
5097	87 12 15	Thunder Bay Telecommunications	Rates - Miscellaneous Equipment
5098	87 12 15	Thunder Bay Telecommunications	Rates - NRSC Certain Miscellaneous Equipment
5099	87 12 18	North Frontenac Tel. Co. Ltd.	Additional Revenue Requirement
5100	87 12 21	Otonabee Telephones Limited	Change in Depreciation Rates
5101	87 12 21	Durham Telephones Limited	Change in Depreciation Rates

# INDEPENDENT TELEPHONE SYSTEMS - SOUTHERN ONTARIO

# INDEPENDENT TELEPHONE SYSTEMS - NORTHERN ONTARIO

- NO. NAME OF SYSTEM  
1. Ontario Telephone Company Ltd.  
2. Canadian National Telephone System  
3. Ontario Telephone Company Ltd.  
4. Ontario Telephone Company Ltd.  
5. Ontario Telephone Company Ltd.  
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99. Ontario Telephone Company Ltd.  
100. Ontario Telephone Company Ltd.

MUNICIPAL SYSTEMS

SYSTEMS OWNED BY INCORPORATED TELEPHONE COMPANIES

ONTARIO TELEPHONE SERVICE COMMISSION



Ministry of  
Transportation and  
Communications







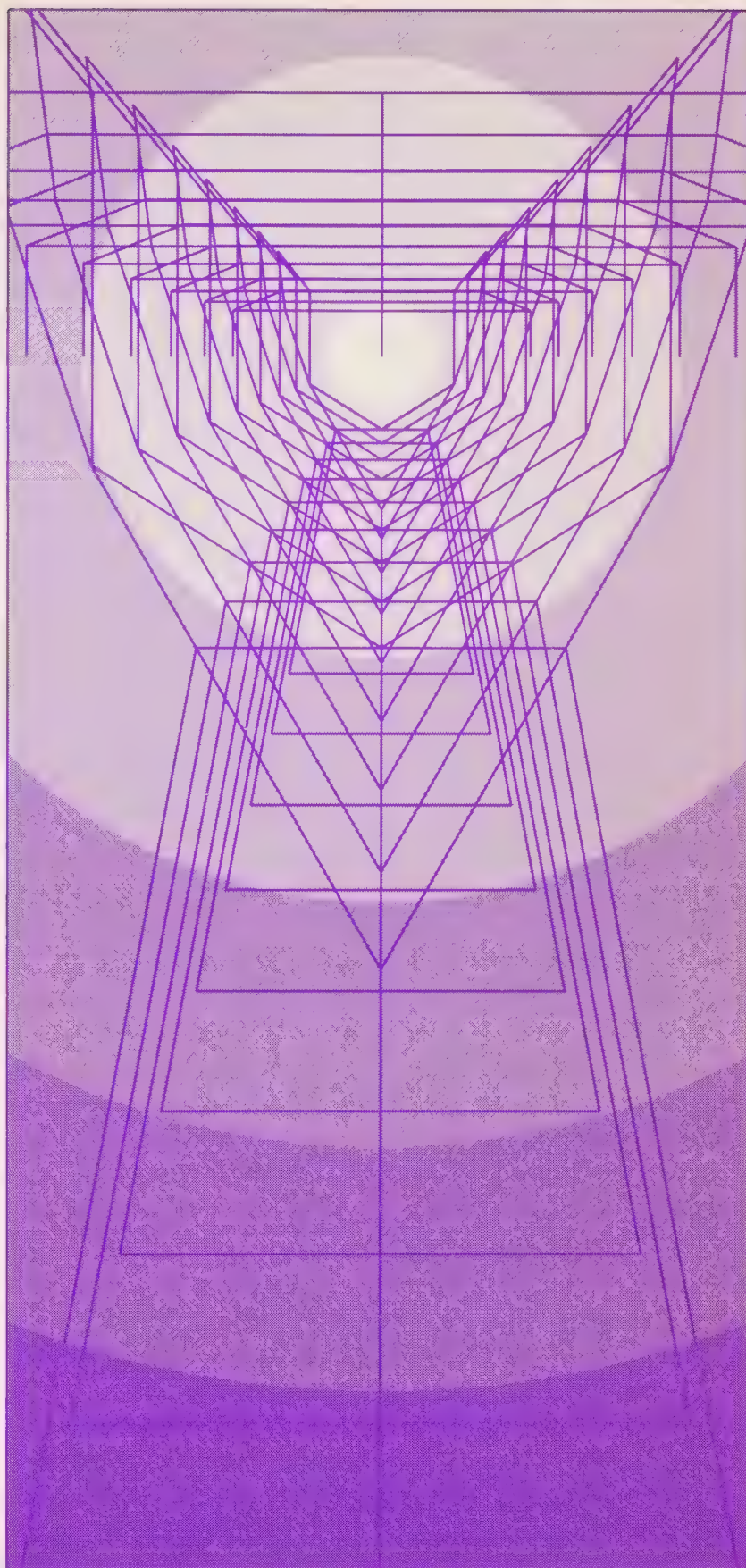


# ONTARIO TELEPHONE SERVICE COMMISSION

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## ANNUAL REPORT 1988



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The Honourable L.M. Alexander, PC, KStJ, Q.C., BA, LL.D  
Lieutenant Governor of Ontario  
Legislative Building  
Queen's Park  
Toronto, Ontario

MAY IT PLEASE YOUR HONOUR

I beg leave to present the 1988 Annual Report of the  
Ontario Telephone Service Commission for the year ending  
December 31, 1988.

Respectfully submitted,

A handwritten signature in cursive script, reading "Lily Oddie Munro".

Lily Oddie Munro  
Minister



Ontario  
Telephone Service  
Commission

Suite 200  
3625 Dufferin St.  
Downsview, Ontario  
M3K 1Z2  
(416) 235-4950

April 4, 1989

The Honourable Lily Oddie Munro  
Minister of Culture and Communications  
77 Bloor Street West  
6th Floor  
Toronto, Ontario  
M7A 2R9

Dear Dr. Munro:

I have the honour to present herewith the Annual Report of the  
Ontario Telephone Service Commission for the year ending  
December 31, 1988.

Respectfully submitted,

V. W. Bielski, Q.C.  
Chairman.

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## CHAIRMAN'S MESSAGE

**A**s I review the events of 1988, I am pleased with what was a busy, challenging and fruitful year for the Ontario Telephone Service Commission. While seeking to fulfill its mandate, the Commission has strived to anticipate changes in the telecommunications environment which are relevant to the public interest. By anticipating such changes the regulator will do its part in ensuring an environment where telephone service will continue to be provided at just and reasonable rates as well as at a high quality and that the industry will grow optimally.

I am proud to report such efforts as the OTSC/Régie des Télécommunications du Québec Joint Inquiry on the Traffic Agreement between the Independent Telephone Systems in Ontario and Quebec and Bell Canada. Studies such as this one will be useful contributions to focus public policy debate on issues of importance to the telephone industry.

Another very important aspect of the Commission's work this year has been the sincere effort to hear a wide range of public input. Studies undertaken by the Commission have included a vast amount of such input. In addition customer complaints have been heard and public participation into general rate applications have been most beneficial. I consider this to be of utmost importance for the Commission as a body which makes decisions in the public interest. I am certain that attaining public input and making the Commission easily accessible to those who wish to express their concerns, will be an ongoing focus for the Commission.

The Commissioners have done outstanding work in 1988, and I am certain that their commitment of time and energy will continue to benefit the Independent Telephone Industry.

Certainly, the direction taken in 1988 will be ongoing although I expect that 1989 will hold new challenges. I look forward to these challenges with renewed commitment and excitement.

V. W. Bielski, Q.C.,  
Chairman.

# THE COMMISSION

The Ontario Telephone Service Commission is a provincial regulatory body which is responsible to hear and decide all applications filed by the industry as well as the public and to proceed on such matters. The Commission issues Orders and directions as is necessary for the regulation of the thirty independent telephone systems in Ontario. In 1988, the Commission consisted of a Chairman, a Vice-Chairman and five members, as appointed by the Lieutenant Governor in Council.

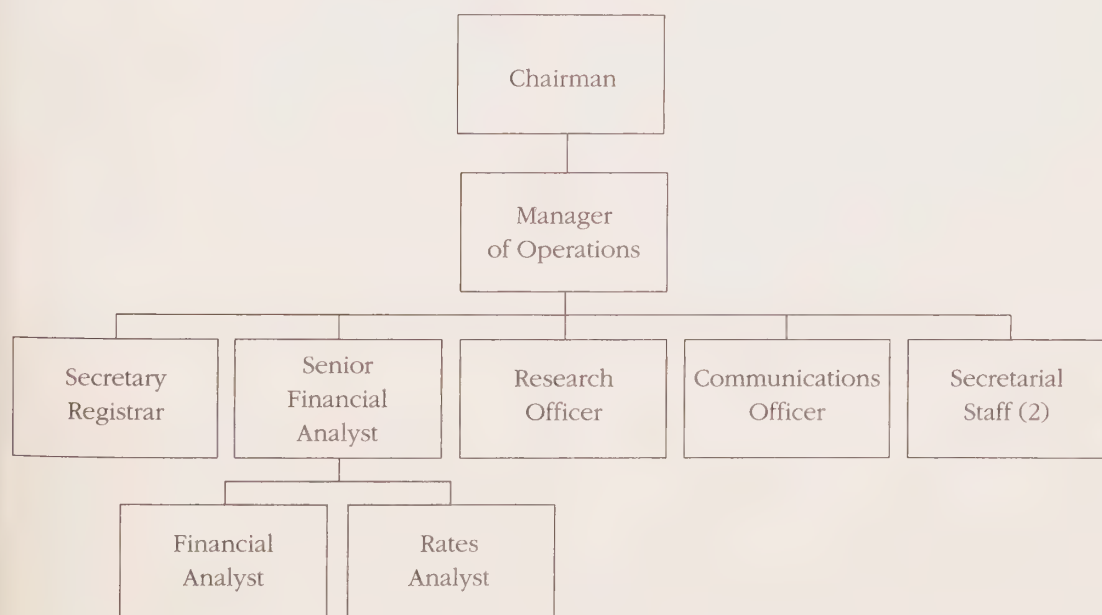
Chairman, Mrs. V. W. Bielski, Q.C.  
Vice-Chairman, Ms. A. E. Stahmer  
Member, Mr. W. J. Buchner  
Member, Ms. L. A. Green  
Member, Mr. R. G. Grzela  
Member, Mr. G. E. Kaiser  
Member, Mr. G. C. Rennick

The Commission's governing statute is the Telephone Act, R.S.O. 1980, c.496, as amended by S.O. 1983, c.71.

In 1988, the Commission issued 154 Orders and held four public hearings in Toronto.

The Commission is assisted by a staff of nine. The following chart outlines the present organizational structure of the Commission.

## COMMISSION STAFF ORGANIZATIONAL STRUCTURE



---

## CUSTOMER COMPLAINTS AND INQUIRIES

**P**ursuant to section 6 of the Telephone Act, the Commission has the mandate to hear all applications of complaint and inquiries from customers concerning the quality of service, rates and management policies of their telephone system.

Telephone systems have exclusive rights to provide local telephone service in their respective territories. While customers may not have the choice as to which system serves them, the statutory law ensures that adequate and efficient service must be available to all customers in the territory in which the telephone systems operate.

Customers can seek recourse from the Commission should they have a dispute with their telephone system. In 1988, the Commission received approximately 160 individual submissions, complaints and inquiries.

# REGULATORY ISSUES AND MAJOR DECISIONS

## **OTSC/Régie des Télécommunications du Québec\* Joint Inquiry on the Traffic Agreement Between the Independent Telephone Systems in Ontario and Quebec and Bell Canada**

**T**hroughout 1988, the OTSC and the Régie des Télécommunications du Québec continued to investigate through the Joint Inquiry current and alternative revenue sharing arrangements between Bell Canada and the Independent Telephone Systems.

The appointed members representing the Régie were Mr. Jacques C.P. Bellemare, Commissioner and Mr. Jean-Claude Duchesne, Commissioner. Mr. Bellemare was later replaced by Mr. Jean-Pierre Gauvreau, Director of Engineering with the Régie. Ms. Anna Stahmer, Vice-Chairman and Ms. Lyndsay Green, Commissioner, were appointed to represent the OTSC on the Inquiry.

Appointed members were directed by their respective Boards to report on their findings. The Inquiry process, however, was not intended to reach a final determination of the issues involved.

The Terms of Reference of the Joint Inquiry are as follows:

- ☐ The impact of decreases in the long distance rates of Bell Canada on the Independent Telephone Systems (local exchange carriers) in Ontario and Quebec in respect to the Traffic Agreement between themselves and Bell Canada;
- ☐ The impact of the proposed rate rebalancing of the local and long distance rates of Bell Canada on the Traffic Agreement between the Independent Telephone Systems in Ontario and Quebec and Bell Canada;
- ☐ The impact of decreases in the long distance rates of Bell Canada and the impact of the proposed rate rebalancing on the subscribers (with respect to the Traffic Agreement);
- ☐ The fair and equitable principles of long distance revenue sharing between the Independent Telephone Systems and Bell Canada which may lead to the necessity of establishing a new Traffic Agreement; and
- ☐ Any other relevant matters.

\* Formerly the Régie des Services Public du Québec.

In 1988, the members of the Inquiry undertook to hear a wide range of public input. Through public notices in major newspapers in Ontario and Quebec, comments were requested. In addition, members of the Inquiry wrote to over one hundred corporations and organizations specifically making them aware of the Inquiry and requesting their comment. A background paper entitled "Background Paper for the Discussion of Issues Related to Toll Revenue Sharing Agreements between Independent Telephone Systems in Ontario and Quebec and Connecting Companies" was issued to focus but not limit the comments. At the end of 1988, the Inquiry was nearing completion. It is expected to be released in the first quarter of 1989.

#### **The City of Thunder Bay, Telecommunications Department - Teleco Supply Co. Ltd. - Complaint**

On October 26, 1988, the OTSC issued Order No. 5239 in the matter of a complaint by the interconnect company Teleco Supply Co. Ltd. On March 24, 1986, the Commission received a complaint by Teleco Supply Co. Ltd. (Teleco) regarding alleged violations of the Telephone Act by The Corporation of the City of Thunder Bay, Telecommunications Department (TBT) and a request by the Complainant that the OTSC conduct an investigation into this matter and other requests for certain other relief.

Essentially, those allegations of the Complainant related to the sale of terminal equipment below cost by Thunder Bay Telecommunications, in violation of Commission Order No. 4276 which permitted terminal attachment to the telephone systems and provided conditions for telephone systems to sell equipment.

After an investigation by the Commission on the production of information prior to a public hearing, the Commission issued Interim Order No. 5191 on July 14, 1988. This was requiring TBT to adhere to the Plan of Segregated Accounts for "The Sales Division" filed with the Commission in 1986 with certain modifications. The Interim Order set out in detail further information required by the Commission on a regular basis in addition to the information provided for in the segregated accounts.

The Complainant then advised the Commission that its interests would be satisfied if a final Order were issued based on the Interim Order with some modifications and clarification. All parties agreed that a public hearing would no longer be necessary and the Commission issued its final Order No. 5239 on the matter approving a segregated accounts plan for the sale division of TBT. Also, the Commission ordered TBT to pay 40 percent of the taxed costs of all parties involved in this case.



---

### **Boundary Changes - Thunder Bay Telecommunications**

During a public hearing held in the Applicant's territory to review a general rate application filed on May 6, 1987, it became apparent that customers that had been affected by rural rate restructuring did not understand how or why their bill had changed.

The Commission directed Thunder Bay Telecommunications to provide a full explanation to those customers affected. In addition, the Commission undertook to conduct a study of the methodology of rate calculation in the rural areas particularly in regard to Locality Rate Areas.

The Commission contracted the services of an independent consultant. The report was filed with the Commission on February 12, 1988, and made available for all interested parties to comment. After reviewing the report and submissions from the public, the Commission issued Order No. 5180 ordering Thunder Bay Telecommunications to implement a three year plan for changes in rate boundaries.

By the end of 1988 changes for the North Base Rate boundaries were completed to include subscribers along Highway 102 from the city limits to the end of TBT's serving area, Kakabeka Falls to include

subscribers concentrated to the west of the village, west of Murillo to include subscribers located on the main road. It is expected that the Base Rate boundaries to the south of Murillo to include subscribers along Highway 11 to the end of the area served by Rosslyn central office, Highway 61 about 2 miles west of the city limits and along the first cross road for a distance of one mile and the Lakeshore locality rate area west for a distance of one-half mile to include the developed area, will be completed by the end of 1989. The eastern and western MacKenzie locality rate area boundary should be extended by the end of 1990.

### **Hurontario Telephones Limited**

Hurontario filed its application with the Commission on July 14, 1988 to increase access charges generating \$18,740 to recover revenue lost as a result of Bell Canada's toll reductions effective April 1, 1988 and May 16, 1988. Upon consideration of the evidence heard, the Commission denied the application by Order No. 5240 and directed the applicant to continue negotiations with Bell with a view to ensuring an appropriate toll settlement for 1988. The Applicant filed an application for review of Order No. 5240.

In dealing with this application, the Commission indicated that it would review the matter if the Applicant could demonstrate that the decision of the panel was affected by one of the following criteria:

1. New facts had arisen since the original decision.
2. The decision contained an error in fact or in law.
3. A matter of principle was proposed before the panel, which was not considered.
4. A new matter of principle had arisen as a result of the original decision.

At a rehearing on December 2, 1988, it was clear that there was in fact new evidence. In the negotiations with Bell, the Applicant had used Bell's rate of return rather than its own to derive a toll settlement. When using its own rate of return in the calculation, the revenue required was \$18,740. Upon consideration of this newly introduced evidence, the Commission issued Order No. 5256 approving the increase in revenues of \$18,740.

### **General Rate Applications**

The Commission reviewed general rate applications from the following telephone systems in 1988:

*Hurontario Telephone Ltd.*

*Kenora Municipal Telephone System*

*Thunder Bay Telecommunications*

*Northern Telephone Limited*

*People's Telephone Company of Forest Limited*

In 1988, increases were approved for Hurontario, Northern Telephone Limited and Thunder Bay Telecommunications, generating additional revenues of \$18,740, \$350,000 and \$1,497,036 respectively.

An application was filed with the OTSC by Northern Telephone Limited in June 1988 to recover revenue due to a decrease in toll. This application was deferred at the request of Northern Telephone Limited.

---

## FRENCH LANGUAGE SERVICES

**I**n November, 1986, the Government of Ontario issued the French Language Services Act, S.O. 1986, c.45. This Act underlines the Government's commitment to make French Language Services available to the public.

Throughout 1988 the Ontario Telephone Service Commission has complied with the Directive and is increasingly making services available in French.

Staff are available to answer public inquiries in French and translation facilities are available for all aspects of public hearings in designated French serving territories. In addition, for the first time this year, the Annual Report is available in both official languages.

It is anticipated that over the fiscal year the Commission will grow in its capacity to meet the need of serving the French speaking population of Ontario.

# APPENDIX I

*Table 1 - Type of Entity of the Independent Telephone Systems Operating in Ontario in 1988*

	SYSTEMS		NO. OF ACCESS LINES	
	No.	%	No.	%
Systems operated as public utilities by municipal corporations	5	16.7	82,797	41.1
Municipal Systems	8	26.7	26,671	13.2
Incorporated companies	17	56.7	91,982	45.7
TOTAL:	30	100.0	201,450	100.0

*Table 2 - Size Distribution of the Independent Telephone Systems Operating in Ontario 1988*

No. of Access Lines	No. of Systems	Percent (rounded)
0 - 500	1	3.0
501 - 1,000	3	10.0
1,001 - 2,000	12	40.0
2,001 - 3,000	5	16.7
3,001 - 4,000	4	13.0
4,001 - 5,000	0	0.0
5,001 - 10,000	1	3.0
10,001 - 50,000	2	6.8
50,001 - 100,000	2	6.8
TOTAL:	30	100.0

*Table 3 - Net growth of the Telephone Industry in Ontario since 1980*

Dec. 31	No. of Systems	Network Access Lines	% Change
1981	31	165,687	1.70
1982	31	167,568	1.10
1983	31	171,421	2.30
1984	30	174,741	2.40
1985	30	178,527	2.20
1986	30	185,160	3.70
1987	30	193,751	4.60
1988	30	201,450	3.97

## APPENDIX II

### Summary of Independent Telephone Systems Data as at December 31, 1988

	Name of System	Operating Head	Address and Telephone No.	Exchanges	Network Access Lines
3	Abitibi-Price Incorporated	F. R. Robar Electrical Superintendent	Iroquois Falls P0K 1E0 (705) 258-3241	Iroquois Falls	767
3	Amtelecom Incorporated	D. W. Ingram President and General Manager (519) 773-8441	18 Sydenham Street Aylmer N5H 1L2	Aylmer Cambray Dyer's Bay Lion's Head Port Burwell Stokes Bay Straffordville Tobermory	5,320 805 336 1,093 749 127 1,094 ---
					10,301
2	Blanshard Municipal Telephone System	B. W. Skinner Manager	Kirkton N0K 1K0 (519) 229-8933	Granton Kirkton Sebringville Uniondale	573 982 1,187 479
					3,221
2	Brooke Municipal Telephone System	E. Chapman Manager	P.O. Box 40 Inwood N0N 1K0 (519) 844-2160	Alvinston (S) Inwood Watford (S)	208 371 344
					923
2	Bruce Municipal Telephone System	J. T. Scurfield Manager	P.O. Box 580 Kincardine N2Z 2Z1 (519) 396-3322	Kincardine Paisley Port Elgin Tiverton	1,227 920 3,985 1,261
					10,393
1	Cochrane Public Utilities Commission	R. V. Nichols General Manager Secretary-Treasurer	153 Sixth Avenue P.O. Box 640 Cochrane P0L 1C0 (705) 272-4232	Cochrane	2,744
3	Coldwater Communications Inc.	Ian Murray Manager	18 Sydenham Street Street Aylmer, N5H 1L2 (705) 686-3698		1,057
1	Dryden Municipal Telephone System	W. Greaves Operating Head	30 Van Horne Avenue Dryden P8N 2A7 (807) 223-2225	Dryden	3,914

#### GROUPS:

1. Systems established under The Telephone Act by municipal corporations and operated as public utilities.
2. Systems established under The Telephone Act by, and vested in municipal corporations in trust for the benefit of the subscribers and operated by the municipal council or by a commission elected by the subscribers.
3. Incorporated companies.



	Name of System	Operating Head	Address and Telephone No.	Exchanges	Network Access Lines
3	Durham Telephones Limited	J. E. Downs General Manager	63 Brule Gardens Toronto M6S 4J5 (416) 767-4042	Cavan Millbrook	506 1,148 <hr/> 1,654
2	Gosfield North Municipal Telephone System	J. Helkie Manager	P.O. Box 130 Cottam N0R 1B0 (519) 839-4734	Cottam	1,258
2	Hay Municipal Telephone System	W. H. Wagner Manager and Secretary-Treasurer	P.O. Box 99 Zurich N0M 2T0 (519) 236-4333	Dashwood Grand Bend Zurich	463 2,391 1,133 <hr/> 3,987
2	Huron and Kinloss Municipal Telephone System	G. Grubb Manager	P.O. Box 220 Huron Street Ripley N0G 2R0 (519) 395-2625	Dungannon Ripley	942 2,010 <hr/> 2,952
4	Hurontario Telephones Limited	K. V. Stevens Manager	P.O. Box 59 Thedford N0M 2N0 (519) 296-4926	Port Franks Thedford	1,266 595 <hr/> 1,861
1	Keewatin Municipal Telephone System	C. Wasacase Chairman of Board Municipal Council	P.O. Box 139 Keewatin POX 1C0 (807) 547-2881	Keewatin	935
1	Kenora Municipal Telephone System	P. Lawton Manager	P.O. Box 1110 Kenora P9N 3X7 (807) 468-7046	Kenora	6,092
4	Lansdowne Rural Telephone Company Limited	W. A. Grier General Manager	P.O. Box 9 Lansdowne K0E 1L0 (613) 659-2212	Lansdowne	1,622
4	Manitoulin Island Telephone Company Limited	D. Patrick Operating Head	Mindemoya, Ontario P0P 1S0 (705) 377-5353	Manitowaning Mindemoya	1,060 1,094 <hr/> 2,154
2	Mornington Municipal Telephone System	K. Frid Operating Head	16 Mill Street East Milverton N0K 1M0 (519) 595-8331	Milverton	1,731

Name of System	Operating Head	Address and Telephone No.	Exchanges	Network Access Lines
3 North Frontenac Telephone Corporation Limited	H. J. Schmidt Secretary-Treasurer	P.O. Box 130 Baden N0B 1G0 (519) 634-5300	Parham Sharbot Lake	637 987 <hr/> 1,624
3 North Norwich Telephones Ltd.	K. V. Stevens Manager	P.O. Box 33 Burgessville N0J 1C0 (519) 424-9801	Burgessville Norwich (S) Woodstock (S)	961 360 372 <hr/> 1,693
3 North Renfrew Telephone Company Limited	W. Vandekemp Manager	P.O. Box 70 Beachburg K0J 1C0 (613) 582-3600	Beachburg Pembroke (S) Westmeath	494 242 303 <hr/> 1,039
3 Northern Telephone Limited	M. W. Cooper President and Chief Executive Officer	25 Paget Street Box H New Liskeard P0J 1P0 (705) 647-7311	Abitibi Canyon Calstock Cobalt Cochrane (S) Connaught Detour Lake Earlton Elk Lake Englehart Fauquier Gowganda Haileybury Hearst Iroquois Falls Kamiskotia Kapuskasing Kirkland Lake Larder Lake Latchford Matachewan Matheson Mattice Moonbeam New Liskeard Opasatika Opishing Ramore Smooth Rock Falls South Porcupine Swastika Timmins Virginiatown	31 127 905 783 229 23 1,021 260 1,771 256 91 2,063 3,282 2,217 77 5,435 5,661 487 167 207 826 352 643 4,341 152 14 400 944 3,446 888 18,045 493 <hr/> 55,637

	Name of System	Operating Head	Address and Telephone No.	Exchanges	Network Access Lines
3	Otonabee Telephones Limited	J. E. Downs General Manager	63 Brule Gdns Toronto M6S 4J5 (416) 767-4042	Keene	1,196
3	People's Telephone Company of Forest, Limited (The)	R. K. Sutherland General Manager	P.O. Box 700 Forest N0N 1J0 (519) 786-2351	Aberarder Arkona Forest	755 543 2,557 <hr/> 3,855
3	Roxborough Telephone Company Limited	J. W. Beach Manager	P.O. Box 190 Moose Creek K0C 1W0 (613) 538-2800	Moose Creek	460
3	South Bruce Rural Telephone Company Limited	L. E. Hale Manager	P.O. Box 310 Teeswater N0G 2S0 (519) 392-6808	Mildmay Teeswater	1,300 1,300 <hr/> 2,600
1	Thunder Bay Telecommunications	S. Hacio Manager	241 Vickers Street South Thunder Bay P7E 1J5 (807) 625-2121	Court Street Current River MacKenzie Murillo Riverview Rosslyn Shuniah Vickers Street	20,724 3,033 885 817 14,765 1,640 8,638 18,610 <hr/> 69,112
2	Tuckersmith Municipal Telephone System	M. Graham Secretary-Treasurer	R.R. #1 Varna N0M 2R0 (519) 233-9908	Bayfield Clinton (S) Hensall Seaforth (S)	991 381 368 466 <hr/> 2,206
3	Westport Telephone Company	S. Lynn Manager	P.O. Box 252 Westport K0G 1X0 (613) 273-2121	Westport	1,723
3	Wightman Telephone Limited	P. Wightman President	P.O. Box 70 Clifford N0G 1M0 (519) 327-8012	Ayton Clifford Gorrie Neustadt	475 660 1,197 353 <hr/> 2,685
TOTAL:					201,396

# APPENDIX III

## Commission Orders Issued - 1988

Order	Date Issued	Applicant	Purpose
5102	88 01 05	Hurontario Telephones Limited	Change in depreciaton rates
5103	88 01 05	North Norwich Telephones Ltd	Base Rate Area for its Woodstock Exchange
5104	88 01 05	Wightman Telephone Limited	Rates - Depreciation
5105(I)	88 01 06	Thunder Bay Telecommunications	Approval of a change in local telephone rates
5106	88 01 06	Coldwater Communications Inc.	Rates - Directory Assistance Charge
5107	88 01 14	People's Tel. Company of Forest Ltd.	Rates for Vantage Equipment
5108	88 01 19	Hurontario Telephones Limited	Change in rates for local telephone service
5109	88 01 22	People's Tel. Company of Forest Ltd.	Rates for local telephone service
5110	88 01 22	Northern Telephone Limited	Increase in local telephone service
5111	88 01 27	Amtelecom Inc.	Rates - Simtel 410 Telephone Set
5112	88 01 27	Dryden M.T.S.	Rates - Voice Grade Cable Loop, Talk Battery, Ringing Supply
5113	88 01 27	Keewatin M.T.S.	Rates - Miscellaneous Equipment
5114	88 01 27	Kenora M.T.S.	Rates - Miscellaneous Equipment
5115	88 01 27	Kenora M.T.S.	Rates - Change in Miscellaneous Equipment Rates
5116	88 01 27	Hurontario Telephones Limited	Rates - Station Connection costs
5117	88 01 27	North Norwith Telephones Ltd.	Rates - Station Connection costs
5118	88 01 27	Northern Telephone Limited	App. B, Section III to T.A. with ONTC
5119	88 01 27	Northern Telephone Limited	App. B, Section VIII to T.A. with ONTC
5120	88 01 27	Otonabee Telephones Ltd.	Comparative Requirements Test Supplement with Bell Canada
5121	88 01 27	Roxborough Telephone Co. Ltd.	Rates - Custom Calling Features
5122	88 01 27	Thunder Bay Telecommunications	Rates - Miscellaneous Equipment
5123	88 01 28	People's Tel. Company of Forest Ltd.	Rate Structure
5124	88 02 10	Thunder Bay Telecommunications	Rates - Switched Network Access for Conv. Radio System Opr.
5125	88 02 12	Northern Telephone Limited	Rates - Local Telephone Service
5126	88 02 22	Manitoulin Island Tel. Co. Ltd.	Rates - Simtel 410 Telephone Set
5127	88 02 24	Blanshard M.T.S.	Rates - Concession on rates for Telephone Service
5128	88 02 24	Keewatin M.T.S.	Rates - Unity II/Uniti Plus Telephone
5129	88 02 24	Keewatin M.T.S.	Rates - Esprit Telephone/Esprit Handsfree
5130	88 02 24	Kenora M.T.S.	Rates - SL-1ST DX/SL-1ST 4 Wire Trunk Cards
5131	88 02 24	Northern Telephone Limited	Rates - Telephone Set Loss Charges

Order	Date Issued	Applicant	Purpose
5132	88 02 24	Northern Telephone Limited	Rates - Individual Line Revertive Ringing Feature
5133	88 02 24	Coldwater Communications Inc.	Rates - Simtel 410 Telephone Set and Coin Telephones
5134	88 02 29	Thunder Bay Telecommunications	Rates - Local Telephone Service
5135	88 03 21	Blanshard M.T.S.	Rates - Miscellaneous Equipment
5136	88 03 21	Brooke M.T.S.	Revisions to Appendix 2 to T.A. with Bell Canada
5137	88 03 21	Bruce M.T.S.	Revisions to Appendix 2 to T.A. with Bell Canada
5138	88 03 21	Coldwater Communications Inc.	Revisions to Appendix 2 to T.A. with Bell Canada
5139	88 03 21	Hay M.T.S.	Revisions to Appendix 2 to T.A. with Bell Canada
5140	88 03 21	Hurontario Telephones Limited	Revisions to Appendix 2 to T.A. with Bell Canada
5141	88 03 21	Keewatin M.T.S.	Revisions to Appendix 2 to T.A. with Bell Canada
5142	88 03 21	Kenora M.T.S.	Revisions to Appendix 2 to T.A. with Bell Canada
5143	88 03 21	Manitoulin Island Tel. Co. Ltd.	Revisions to Appendix 2 to T.A. with Bell Canada
5144	88 03 21	North Norwich Telephones Ltd.	Revisions to Appendix 2 to T.A. with Bell Canada
5145	88 03 21	North Renfrew Telephone Company Limited	Revisions to Appendix 2 to T.A. with Bell Canada
5146	88 03 21	People's Tel. Company of Forest Ltd.	Revisions to Appendix 2 to T.A. with Bell Canada
5147	88 03 21	Roxborough Telephone Company Limited	Revisions to Appendix 2 to T.A. with Bell Canada
5148	88 03 21	Tuckersmith M.T.S.	Revisions to Appendix 2 to T.A. with Bell Canada
5149	88 03 21	Thunder Bay Telecommunications	Revisions to Appendix 2 to T.A. with Bell Canada
5150	88 03 21	North Frontenac Tel. Corpn. Ltd.	Revisions to Appendix 2 to T.A. with Bell Canada
5151	88 03 21	Mornington M.T.S.	Revisions to Appendix 2 to T.A. with Bell Canada
5152	88 03 31	Bruce M.T.S.	Annual Meeting to a later date
5153	88 04 08	Northern Telephone Limited	Rates - Miscellaneous Services
5154	88 04 08	Keewatin M.T.S.	Rates - Telematrix 500 Three Line Telephone Set
5155	88 04 08	Hurontario Telephones Limited	Rate - F1/F2 Subset
5156	88 04 25	Northern Telephone Limited	Rates - Stop Hunt and Random Make Busy Features
5157	88 05 04	Blanshard M.T.S.	Revisions to Appendix 2 to T.A. with Bell Canada
5158	88 05 04	Ontario Telephone Service Commission	Terms of Service for Telephone Systems
5159	88 05 05	Lansdowne Rural Telephone Co. Ltd.	Revisions to Appendix 2 to T.A. with Bell Canada
5160	88 05 06	Amtelecom Inc.	Approval of Amortization Plans of Station Connections Costs
5161	88 05 06	Bruce M.T.S.	Rates - Direct In Dialing, D.I.D.
5162	88 05 06	Coldwater Communications Inc.	Approval of Amortization Plans of Station Connections Costs



Order	Date Issued	Applicant	Purpose
5163	88 05 06	Manitoulin Island Telephone Co. Ltd.	Approval of Amortization Plans of Station Connections Costs
5164	88 05 06	North Frontenac Telephone Corpn. Ltd.	Rates - Prestige Numbers
5165	88 05 06	Northern Telephone Limited	Approval to waive specific charges for a limited period
5166	88 05 06	Thunder Bay Telecommunications	Rates - Call Detail Recording Equipment
5167	88 05 06	Westport Telephone Company Limited	Rates - XE-20 Telephone Set
5168	88 05 06	Northern Telephone Limited	Depreciation Rates and inclusion of Tru-up amounts
5169	88 05 06	Cochrane P.U.C.	Date for filing Annual Returns - May 30, 1988
5170	88 05 06	Huron and Kinloss M.T.S.	Approval of Amortization Plans of Station Connections Costs
5171	88 05 06	Roxborough Telephone Company Ltd.	Rates - Custom Calling Feature - Revertive Ringing
5172	88 05 06	Thunder Bay Telecommunications	Rates - Pcrfaxion 300 Facsimile Machine
5173	88 05 12	Keewatin M.T.S.	Rates - Miscellaneous Equipment
5174	88 05 12	Kenora M.T.S.	Rate - Technico Two-Line Telephone Set
5175	88 05 12	Mornington M.T.S./Blanshard M.T.S.	E.A.S. - Milverton and Sebringville Exchanges
5176	88 05 18	Northern Telephone Limited	Rates - Local Telephone Service
5177	88 05 16	Northern Telephone Limited	Approval of App. B to T.A. with ONTC
5178	88 05 16	Manitoulin Island Telephone Co. Ltd.	CRT Agreement with Bell Canada
5179	88 05 16	Westport Telephone Company Limited	Rates - M16 Electronic Key System and related equipment
5180	88 06 07	Thunder Bay Telecommunications	Rural Rate Restructuring
5181	88 06 21	Westport Telephone Company Limited	Indebtedness - \$600,000
5182	88 06 21	Lansdowne Rural Telephone Co. Ltd.	Indebtedness - \$800,000
5183	88 06 21	Northern Telephone Limited	Depreciation Rates and the inclusion of True-up amounts
5184	88 07 11	Northern Telephone Limited	Rate - Companion 4L Speakerphone
5185	88 07 12	Kenora M.T.S.	Rates - Local Telephone Service
5186	88 07 12	Keewatin M.T.S.	Rates - Norstar Key/M7310 and M7208 Telephone Sets
5187	88 07 12	Kenora M.T.S.	Rates - Norstar Key System/Radio and Paging Equipment
5188	88 07 12	Dryden M.T.S.	Rates - Radio and Paging Trunk and Telephone Number Access
5189	88 07 14	People's Tel. Company of Forest Ltd.	By-Law No. 21-1988 re: Granting of Highway Use

Order	Date Issued	Applicant	Purpose
5190	88 07 14	South Bruce Rural Tel. Co. Ltd.	By-Law No. 87-5 re: Granting of Highway Use
5191	88 07 14	Thunder Bay Telecommunications	Teleco Supply Co. Ltd. - Complaint
5192	88 07 18	Huron and Kinloss M.T.S.	Depreciation Rate - Station Apparatus - Telephone
5193(1)	88 07 28	Thunder Bay Telecommunications	Teleco Supply Co. Ltd. - Complaint (Interlocutory)
5194	88 08 05	Coldwater Communications Inc.	Telephone Concession service
5195	88 08 05	Manitoulin Island Tel. Co. Ltd.	Telephone Concession service
5196	88 08 05	Amtelecom Inc.	Telephone Concession service
5197	88 08 05	Amtelecom Inc.	Rates - One Time Telephone Set Loss charges
5198	88 08 05	North Norwich Telephones Ltd.	Rates - WATS Termination charge
5199	88 08 05	Coldwater Communications Inc.	Rates - Custom Calling Features
5200	88 08 05	Northern Telephone Limited	Rates - Miscellaneous Equipment
5201	88 08 05	Northern Telephone Limited	Rates - Unbundling of Wide Area Paging Service
5202	88 08 05	Thunder Bay Telecommunications	Rates - Miscellaneous Equipment
5203	88 08 05	North Frontenac Tel. Corp. Ltd.	Rates - Mileage and Construction charges
5204	88 08 05	Northern Telephone Limited	Rates - Miscellaneous Equipment and Services
5205	88 08 05	Keewatin M.T.S.	Rates - Miscellaneous Equipment
5206	88 08 05	Westport Telephone Company Limited	Rates - Miscellaneous Equipment
5207	88 08 05	North Norwich Telephones Ltd.	Rates - Miscellaneous Equipment
5208	88 08 05	Hurontario Telephones Limited	Rates - Miscellaneous Equipment
5209	88 08 05	People's Tel. Company of Forest Ltd.	Rates - Miscellaneous Equipment
5210	88 08 05	Thunder Bay Telecommunications	Rates - Telephone Number Services
5211	88 08 05	North Norwich Telephones Ltd.	Complaint - John M. Eacott
5212	88 08 16	Thunder Bay Telecommunications	City of Thunder Bay - Teleco - Complaint
5213	88 09 16	Durham Telephones Limited	CRT - Agreement - 1986 - \$98,970
5214	88 09 16	Otonabee Telephones Ltd.	CRT - Agreement - 1987 - \$68,324
5215	88 09 16	Hurontario Telephones Limited	CRT - Agreement - 1987 - \$64,112
5216	88 09 16	North Norwich Telephones Ltd.	CRT - Agreement - 1987 - \$140,051
5217	88 09 19	Huron & Kinloss M.T.S.	Custom Calling Features & Miscellaneous Equipment
5218	88 09 19	Otonabee Telephones Ltd.	Meridian Norstar Key & Meridian Business Services
5219	88 09 19	Thunder Bay Telecommunications	Smartalk 208 Key System & Miscellaneous Equipment

Order	Date Issued	Applicant	Purpose
5220	88 09 19	Durham Telephones Limited	Meridian Norstar Key & Meridian Business Services
5221	88 09 19	Lansdowne Rural Telephone Co. Ltd.	Station Connections
5222	88 09 19	Amtelecom Inc.	Custom Calling Features - Three Way Calling
5223	88 09 19	Coldwater Communications Inc.	Custom Calling Features - Three Way Calling
5224	88 09 19	Manitoulin Island Tel. Co. Ltd.	One Time Telephone Set Loss charges
5225	88 09 19	Brooke M.T.S.	Custom Calling Features & miscellaneous equipment
5226	88 09 19	Dryden M.T.S.	Rates - Miscellaneous Equipment
5227	88 09 19	Westport Telephone Company Limited	Rates - Miscellaneous Equipment
5228	88 09 29	Northern Telephone Limited	Depreciation - Extend filing deadline for 1988 application
5229	88 09 29	Dryden M.T.S.	Revisions to App.2, to T.A. with Bell Canada
5230	88 09 30	Thunder Bay Telecommunications	Terms of Service - Exemption of Notice/Avis in Tel.Directory
5231	88 10 05	Coldwater Communications Inc.	Rates - One Time Telephone Set Loss charges
5232	88 10 05	Keewatin M.T.S.	Rates - Custom Calling Features - Call Waiting Cancel
5233	88 10 05	North Norwich Telephones Ltd.	Rates - Miscellaneous Equipment
5234	88 10 05	Thunder Bay Telecommunications	Rates - Miscellaneous Equipment
5235	88 10 05	Coldwater Communications Inc.	Waive monthly rates for Custom Calling Features
5236	88 10 06	Northern Telephone Limited	Complaint - Mrs. Catherine White, Auld Reekie Camp
5237	88 10 07	Manitoulin Island Tel. Co. Ltd.	Complaint - Mr. William Klenk - Disconnection of service
5238	88 10 21	Thunder Bay Telecommunications	Rural Rate Restructuring
5239	88 10 26	Thunder Bay Telecommunications	Teleco Supply Co. Ltd. - Complaint (Final Order)
5240	88 11 10	Hurontario Telephones Limited	Revenue Recovery due to Toll Rate Decreases (Denial)
5241	88 12 08	Dryden M.T.S.	Rates - Code-A-Phone Telephones and Telstrobe
5242	88 12 08	Kenora M.T.S.	Rates - Unity Handsfree Telephone Set
5243	88 12 08	Kenora M.T.S.	Rates - QPP356G2 Channel Bank Trunk Card
5244	88 12 08	Huron and Kinloss M.T.S.	Rates - Miscellaneous Equipment
5245	88 12 08	Thunder Bay Telecommunications	Rates - Miscellaneous Equipment
5246	88 12 08	Hay M.T.S.	Rates - Meridian Norstar Equipment
5247	88 12 09	Northern Telephone Limited	Interim Depreciation Rates & True-up amount

Order	Date Issued	Applicant	Purpose
5248	88 12 12	Dryden M.T.S.	Amortization Plans - Connections Costs
5249	88 12 12	Hurontario Telephones Limited	Depreciation Rates
5250	88 12 12	North Frontenac Tel. Corp. Ltd.	Indebtedness - \$800,000
5251	88 12 12	North Norwich Telephones Ltd.	Rates - Miscellaneous Equipment
5252	88 12 12	North Norwich Telephones Ltd.	Depreciation Rates
5253	88 12 12	Otonabee Telephones Ltd.	Depreciation Rates
5254	88 12 12	Hurontario Telephones Limited	Symphony 5000 - Toll Restriction
5255	88 12 19	Hurontario Telephones Limited	Review of OTSC Decision No. 5240
5256	88 12 30	Hurontario Telephones Limited	Rates - Local Telephone Service

## Northern Ontario



- SYSTEMS OPERATED AS PUBLIC UTILITIES  
BY MUNICIPAL CORPORATIONS

- SYSTEMS OWNED BY INCORPORATED  
TELEPHONE COMPANIES



# INDEPENDENT TELEPHONE SYSTEMS

## Southern Ontario

# RÉSEAUX TÉLÉPHONIQUES INDÉPENDANTS

## Sud de l'Ontario

- NO. NAME OF SYSTEM  
N<sup>o</sup> NOM DU RÉSEAU
- 2 Amtelecom Inc
  - 3 Blanshard Municipal Telephone System
  - 4 Brooke Municipal Telephone System
  - 5 Bruce Municipal Telephone System
  - 7 Coldwater Municipal Telephone System
  - 9 Durham Telephones Limited
  - 10 Gosfield North Municipal Telephone System
  - 11 Hay Municipal Telephone System
  - 12 Huron & Kinloss Municipal Telephone System
  - 13 Hurontario Telephones Limited
  - 16 Lansdowne Rural Telephone Company Limited, The
  - 17 Manitoulin Island Telephone Company Limited
  - 18 Mornington Municipal Telephone System
  - 19 North Frontenac Telephone Corporation Limited
  - 20 North Norwich Telephones Ltd.
  - 21 North Renfrew Telephone Company Limited
  - 23 Otonabee Telephones Limited
  - 24 People's Telephone Company of Forest, Limited
  - 25 Roxborough Telephone Company Limited
  - 26 South Bruce Rural Telephone Company Limited
  - 28 Tuckersmith Municipal Telephone System
  - 29 Westport Telephone Company Limited, The
  - 30 Wightman Telephone Limited

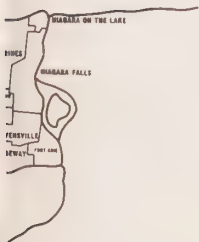


**ONTARIO TELEPHONE SERVICE COMMISSION**  
**COMMISSION ONTARIENNE DES SERVICES TÉLÉPHONIQUES**



Ministry of  
Culture and  
Communications

Ministère de la  
Culture et des  
Communications



**MUNICIPAL SYSTEMS**  
**RÉSEAUX TÉLÉPHONIQUES**  
**MUNICIPAUX**



**SYSTEMS OWNED BY INCORPORATED**  
**TELEPHONE COMPANIES**  
**RÉSEAUX APPARTENANT À DES**  
**SOCIÉTÉS COMMERCIALES**

kilometres 10 0 10 20 30 40 kilometres  
Miles 10 0 10 20 30 Miles

# RÉSEAUX TÉLÉPHONIQUES INDÉPENDANTS

Nord de l'Ontario



N <sup>o</sup>	NOM DU RÉSEAU
1	Abitibi Paper Company Ltd.
6	Cochrane Municipal Telephone System.
8	Dryden Municipal Telephone System.
14	Keewatin Municipal Telephone System.
15	Kenora Municipal Telephone System.
22	Northern Telephone Limited.
27	Thunder Bay Telecommunications.

RESEAUX APPARTENANT À DES SOCIÉTÉS COMMERCIALES

RESEAUX TÉLÉPHONIQUES EXPLOITÉS À TITRE DE SERVICE PUBLIC PAR LES MUNICIPALITÉS

Ordonnance	Date d'émission	Requérant	Motif
5239	88 10 26	Thunder Bay Telecommunications	Teleco Supply Co. Ltd. - Plainte (ordonnance définitive)
5240	88 11 10	Huronario Telephones Limited	Demande de recouvrement des revenus perdus à la suite de réductions des tarifs interurbains (Demande rejetée)
5241	88 12 08	Dryden M.T.S.	Tarifs - Téléphones Code-A-Phone et Telsrobc
5242	88 12 08	Kenora M.T.S.	Tarifs - Poste téléphonique mains libres Unity
5243	88 12 08	Kenora M.T.S.	Tarifs - Carte de lignes réseau avec équipement d'extrémité de voies QPP356G2
5244	88 12 08	Huron and Kinloss M.T.S.	Tarifs - Équipements divers
5245	88 12 08	Thunder Bay Telecommunications	Tarifs - Équipements divers
5246	88 12 08	Hay M.T.S.	Tarifs - Équipement Meridian Norstar
5247	88 12 09	Northern Telephone Limited	Taux d'amortissement provisoires et montant de rajustement
5248	88 12 12	Dryden M.T.S.	Plans d'amortissement - Frais de raccordement
5249	88 12 12	Huronario Telephones Limited	Taux d'amortissement
5250	88 12 12	North Frontenac Tel. Corp. Ltd.	Dettes - 800 000 \$
5251	88 12 12	North Norwich Telephones Ltd.	Tarifs - Équipements divers
5252	88 12 12	North Norwich Telephones Ltd.	Taux d'amortissement
5253	88 12 12	Oronabee Telephones Ltd.	Taux d'amortissement
5254	88 12 12	Huronario Telephones Limited	Symphony 5000 - Restriction de l'accès à l'interurbain
5255	88 12 19	Huronario Telephones Limited	Révision de la décision n° 5240 de la COST
5256	88 12 30	Huronario Telephones Limited	Tarifs - Service téléphonique local

Ordonnance	Date d'émission	Requérant	Motif
5213	88 09 16	Durham Telephones Limited	Entente sur la méthode des besoins comparatifs - 1986 - 98 970 \$
5214	88 09 16	Oronabee Telephones Ltd.	Entente sur la méthode des besoins comparatifs - 1987 - 68 324 \$
5215	88 09 16	Huronario Telephones Limited	Entente sur la méthode des besoins comparatifs - 1987 - 64 112 \$
5216	88 09 16	North Norwich Telephones Ltd.	Entente sur la méthode des besoins comparatifs - 1987 - 140 051 \$
5217	88 09 19	Huron & Kinloss M.T.S.	Services téléphoniques spécifiques et équipements divers
5218	88 09 19	Oronabee Telephones Ltd.	Services d'affaires Meridian Norstar Key et Meridian
5219	88 09 19	Thunder Bay Telecommunications	Système téléphonique multiligne Smartalk 208 et équipements divers
5220	88 09 19	Durham Telephones Limited	Services d'affaires Meridian Norstar Key et Meridian
5221	88 09 19	Lansdowne Rural Telephone Co. Ltd.	Raccordement de postes
5222	88 09 19	Amitecom Inc.	Services téléphoniques spécifiques - Conférence à trois
5223	88 09 19	Coldwater Communications Inc.	Services téléphoniques spécifiques - Conférence à trois
5224	88 09 19	Manitoulin Island Tel. Co. Ltd.	Frais non périodiques pour perte de poste téléphonique
5225	88 09 19	Brooke M.T.S.	Services téléphoniques spécifiques et équipements divers
5226	88 09 19	Dryden M.T.S.	Tarifs - Équipements divers
5227	88 09 19	Westport Telephone Company Limited	Tarifs - Équipements divers
5228	88 09 29	Northem Telephone Limited	Amortissement - Report de la date limite de soumission des demandes en 1988
5229	88 09 29	Dryden M.T.S.	Révisions à l'annexe 2 du contrat de trafic conclu avec Bell Canada
5230	88 09 30	Thunder Bay Telecommunications	Modalités de service - Exemption d'avis dans l'annuaire téléphonique
5231	88 10 05	Coldwater Communications Inc.	Tarifs - Frais non périodiques pour perte de poste téléphonique
5232	88 10 05	Kewatin M.T.S.	Tarifs - Services téléphoniques spécifiques - Annulation des appels en attente
5233	88 10 05	North Norwich Telephones Ltd.	Tarifs - Équipements divers
5234	88 10 05	Thunder Bay Telecommunications	Tarifs - Équipements divers
5235	88 10 05	Coldwater Communications Inc.	Exonération des tarifs mensuels relatifs aux services téléphoniques spécifiques
5236	88 10 06	Northem Telephone Limited	Plainte de M <sup>me</sup> Catherine White d'Auld
5237	88 10 07	Manitoulin Island Tel. Co. Ltd.	Reekie Camp
5238	88 10 21	Thunder Bay Telecommunications	Plainte de M. William Klenk - Interruption du service
			Restructuration des tarifs du service rural



Ordonnance	Date	Requérant	Motif
5184	88 07 11	Northern Telephone Limited	Tarif - Téléphone mains libres BELL à quatre lignes Companion
5185	88 07 12	Kemora M.T.S.	Tarifs - Service téléphonique local
5186	88 07 12	Keewatin M.T.S.	Tarifs - Postes téléphoniques Norstar Key/M7310 et M7208
5187	88 07 12	Kemora M.T.S.	Tarifs - Système multiligne, équipement radiotéléphonique et de recherche de personnes Norstar
5188	88 07 12	Dryden M.T.S.	Tarifs - Circuit radiotéléphonique et de recherche de personnes et accès à des numéros de téléphone
5189	88 07 14	People's Tel. Company of Forest Ltd.	Règlement municipal n° 21-1988 concernant le droit d'usage des voies publiques
5190	88 07 14	South Bruce Rural Tel. Co. Ltd.	Règlement municipal n° 87-5 concernant le droit d'usage des voies publiques
5191	88 07 14	Thunder Bay Telecommunications	Plainte de la Teleco Supply Co. Ltd. Taux d'amortissement - Équipement spécifique d'abonné - Téléphone
5192	88 07 18	Huron and Kinloss M.T.S.	Plainte de la Teleco Supply Co. Ltd. spécifique d'abonné - Téléphone
5193(1)	88 07 28	Thunder Bay Telecommunications	Plainte de la Teleco Supply Co. Ltd. (ordonnance interlocutoire)
5194	88 08 05	Coldwater Communications Inc.	Service téléphonique avec privilèges
5195	88 08 05	Manitoulin Island Tel. Co. Ltd.	Service téléphonique avec privilèges
5196	88 08 05	Amitecom Inc.	Service téléphonique avec privilèges
5197	88 08 05	Amitecom Inc.	Tarifs - Frais non périodiques pour perte de poste téléphonique
5198	88 08 05	North Norwich Telephones Ltd.	Tarifs - Frais de raccordement à une ligne de service 800
5199	88 08 05	Coldwater Communications Inc.	Tarifs - Services téléphoniques spécifiques
5200	88 08 05	Northern Telephone Limited	Tarifs - Équipements divers
5201	88 08 05	Northern Telephone Limited	Tarifs - Dégroupage des tarifs du service régional de recherche de personnes
5202	88 08 05	Thunder Bay Telecommunications	Tarifs - Équipements divers
5203	88 08 05	North Frontenac Tel. Corp. Ltd.	Tarifs - Frais de kilométrage et de construction
5204	88 08 05	Northern Telephone Limited	Tarifs - Équipements et services divers
5205	88 08 05	Keewatin M.T.S.	Tarifs - Équipements divers
5206	88 08 05	Westport Telephone Company Limited	Tarifs - Équipements divers
5207	88 08 05	North Norwich Telephones Ltd.	Tarifs - Équipements divers
5208	88 08 05	Huronario Telephones Limited	Tarifs - Équipements divers
5209	88 08 05	People's Tel. Company of Forest Ltd.	Tarifs - Équipements divers
5210	88 08 05	Thunder Bay Telecommunications	Tarifs - Services de numéros de téléphone
5211	88 08 05	North Norwich Telephones Ltd.	Plainte de M. John M. Eacott
5212	88 08 16	Thunder Bay Telecommunications	Plainte de la société Teleco contre la Cité de Thunder Bay

Ordonnance	Date	Requérant	Motif
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5157	88 05 04	Blanshard M.T.S.	Révisions à l'annexe 2 du contrat de trafic conclu avec Bell Canada
5158	88 05 04	Commission ontarienne des services téléphoniques	Modalités de service destinées aux réseaux téléphoniques
5159	88 05 05	Lansdowne Rural Telephone Co. Ltd.	Révisions à l'annexe 2 du contrat de trafic conclu avec Bell Canada
5160	88 05 06	Amtelecom Inc.	Approbation des plans d'amortissement des frais de raccordement de poste
5161	88 05 06	Bruce M.T.S.	Tarifs - Sélection directe à l'arrivée (S.D.A.)
5162	88 05 06	Coldwater Communications Inc.	Approbation des plans d'amortissement des frais de raccordement de poste
5163	88 05 06	Manitoulin Island Telephone Co. Ltd.	Approbation des plans d'amortissement des frais de raccordement de poste
5164	88 05 06	North Frontenac Telephone Corpn. Ltd.	Tarifs - Service Choix de numéros spéciaux
5165	88 05 06	Northern Telephone Limited	Approbation de l'exemption de certains frais précis pour une période limitée
5166	88 05 06	Thunder Bay Telecommunications	Tarifs - Equipement d'enregistrement des données de communications
5167	88 05 06	Westport Telephone Company Limited	Tarifs - Poste téléphonique XF-20
5168	88 05 06	Northern Telephone Limited	Taux d'amortissement et inclusion de montants de rajustement
5169	88 05 06	Cochrane P.L.C.	Date de soumission des états financiers annuels - 30 mai 1988
5170	88 05 06	Huron and Kinloss M.T.S.	Approbation des plans d'amortissement des frais de raccordement de poste
5171	88 05 06	Roxborough Telephone Company Ltd.	Tarifs - Services téléphoniques spécifiques
5172	88 05 06	Thunder Bay Telecommunications	Tarifs - Télécopieur Perfaxion 300
5173	88 05 12	Kewatin M.T.S.	Tarifs - Equipements divers
5174	88 05 12	Kenora M.T.S.	Tarif - Poste téléphonique à deux lignes
5175	88 05 12	Mornington M.T.S. Blanshard M.T.S.	Service régional - Circonscriptions téléphoniques de Milverton et de Sebringville
5176	88 05 18	Northern Telephone Limited	Tarifs - Service téléphonique local
5177	88 05 16	Northern Telephone Limited	Approbation de l'annexe B du contrat de trafic conclu avec la COST
5178	88 05 16	Manitoulin Island Telephone Co. Ltd.	Entente sur le test des exigences comparatives conclue avec Bell Canada
5179	88 05 16	Westport Telephone Company Limited	Tarifs - Système téléphonique électronique multiligne M16 et équipement connexe
5180	88 06 07	Thunder Bay Telecommunications	Restructuration des tarifs du service rural
5181	88 06 21	Westport Telephone Company Limited	Dettes - 600 000 \$
5182	88 06 21	Lansdowne Rural Telephone Co. Ltd.	Dettes - 800 000 \$
5183	88 06 21	Northern Telephone Limited	Taux d'amortissement et inclusion de montants de rajustement

Ordonnance	Date d'émission	Requérant	Motif
5131	88 02 24	Northern Telephone Limited	Tarifs - Frais pour perte de poste téléphonique
5132	88 02 24	Northern Telephone Limited	Tarifs - Fonction appel à un coabonné
5133	88 02 24	Coldwater Communications Inc.	Tarifs - Poste téléphonique Simtel 410 et téléphones publics payants
5134	88 02 29	Thunder Bay Telecommunications	Tarifs - Service téléphonique local
5135	88 03 21	Blanshard M.T.S.	Tarifs - Équipements divers
5136	88 03 21	Brooke M.T.S.	Révisions à l'annexe 2 du contrat de trafic conclu avec Bell Canada
5137	88 03 21	Bruce M.T.S.	Révisions à l'annexe 2 du contrat de trafic conclu avec Bell Canada
5138	88 03 21	Coldwater Communications Inc.	Révisions à l'annexe 2 du contrat de trafic conclu avec Bell Canada
5139	88 03 21	Hay M.T.S.	Révisions à l'annexe 2 du contrat de trafic conclu avec Bell Canada
5140	88 03 21	Huronario Telephones Limited	Révisions à l'annexe 2 du contrat de trafic conclu avec Bell Canada
5141	88 03 21	Kewatin M.T.S.	Révisions à l'annexe 2 du contrat de trafic conclu avec Bell Canada
5142	88 03 21	Kenora M.T.S.	Révisions à l'annexe 2 du contrat de trafic conclu avec Bell Canada
5143	88 03 21	Manitowlin Island Tel. Co. Ltd.	Révisions à l'annexe 2 du contrat de trafic conclu avec Bell Canada
5144	88 03 21	North Norwich Telephones Ltd.	Révisions à l'annexe 2 du contrat de trafic conclu avec Bell Canada
5145	88 03 21	North Renfrew Telephone Company Limited	Révisions à l'annexe 2 du contrat de trafic conclu avec Bell Canada
5146	88 03 21	People's Tel. Company of Forest Ltd.	Révisions à l'annexe 2 du contrat de trafic conclu avec Bell Canada
5147	88 03 21	Roxborough Telephone Company Limited	Révisions à l'annexe 2 du contrat de trafic conclu avec Bell Canada
5148	88 03 21	Tuckersmith M.T.S.	Révisions à l'annexe 2 du contrat de trafic conclu avec Bell Canada
5149	88 03 21	Thunder Bay Telecommunications	Révisions à l'annexe 2 du contrat de trafic conclu avec Bell Canada
5150	88 03 21	North Frontenac Tel. Corp. Ltd.	Révisions à l'annexe 2 du contrat de trafic conclu avec Bell Canada
5151	88 03 21	Mornington M.T.S.	Révisions à l'annexe 2 du contrat de trafic conclu avec Bell Canada
5152	88 03 31	Bruce M.T.S.	Report de la réunion annuelle
5153	88 04 08	Northern Telephone Limited	Tarifs - Services divers
5154	88 04 08	Kewatin M.T.S.	Tarifs - Poste téléphonique à trois lignes
5155	88 04 08	Huronario Telephones Limited	Telematrix 500
5156	88 04 25	Northern Telephone Limited	Tarif - Équipement d'abonné F1/F2
			Tarifs - Fonctions d'interruption de recherche et de mise en occupation programmable

# ANNEXE III

## Ordonnances rendues par la Commission en 1988

Ordonnance	Date	Requérant	Motif
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5102	88 01 05	Huronario Telephones Limited	Modification des taux d'amortissement
5103	88 01 05	North Norwich Telephones Ltd	Secteur à tarif de base pour sa
			circoscription téléphonique de
			Woodstock
5104	88 01 05	Wighman Telephone Limited	Amortissement des taux
5105(1)	88 01 06	Thunder Bay Telecommunications	Approbation d'une modification des tarifs
			téléphoniques locaux
5106	88 01 06	Coldwater Communications Inc.	Tarifs - Frais d'assistance-annuaire
5107	88 01 14	People's Tel. Company of Forest Ltd.	Tarifs de l'équipement Vanatage
5108	88 01 19	Huronario Telephones Limited	Modification des tarifs du service
			téléphonique local
5109	88 01 22	People's Tel. Company of Forest Ltd.	Tarifs du service téléphonique local
5110	88 01 22	Northern Telephone Limited	Hausse des tarifs du service téléphonique
5111	88 01 27	Amtelecom Inc.	Tarifs - Poste téléphonique Simtel 410
5112	88 01 27	Dryden M.T.S.	Tarifs - Boucle de câble de qualité
			téléphonique; batterie d'alimentation en
			courant de conversation, alimentation en
			courant de sonnerie
5113	88 01 27	Keewatin M.T.S.	Tarifs - Equipements divers
5114	88 01 27	Kenora M.T.S.	Tarifs - Equipements divers
5115	88 01 27	Kenora M.T.S.	Tarifs - Modification des tarifs de divers
			équipements
5116	88 01 27	Huronario Telephones Limited	Tarifs - Frais de raccordement de poste
5117	88 01 27	North Norwich Telephones Ltd.	Tarifs - Frais de raccordement de poste
5118	88 01 27	Northern Telephone Limited	Section III de l'annexe B du contrat de
			trafic conclu avec la COST
5119	88 01 27	Northern Telephone Limited	Section VIII de l'annexe B du contrat de
			trafic conclu avec la COST
5120	88 01 27	Otonabee Telephones Ltd.	Entente sur la méthode des besoins
			comparatifs conclue avec Bell Canada
5121	88 01 27	Roxborough Telephone Co. Ltd.	Tarifs - Services téléphoniques spécifiques
5122	88 01 27	Thunder Bay Telecommunications	Tarifs - Equipements divers
5123	88 01 28	People's Tel. Company of Forest Ltd.	Structure tarifaire
5124	88 02 10	Thunder Bay Telecommunications	Tarifs - Accès par réseau commuté - réseau
			de radiotéléphonie classique
5125	88 02 12	Northern Telephone Limited	Tarifs - Service téléphonique local
5126	88 02 22	Manitoulin Island Tel. Co. Ltd.	Tarifs - Poste téléphonique Simtel 410
5127	88 02 24	Blanshard M.T.S.	Tarifs - Privilèges portant sur les tarifs du
			service téléphonique
5128	88 02 24	Keewatin M.T.S.	Tarifs - Téléphone Unity II/Unit Plus
5129	88 02 24	Keewatin M.T.S.	Tarifs - Téléphone Espnt/Poste mains
5130	88 02 24	Kenora M.T.S.	Tarifs - Cartes de lignes réseau SL-1ST DX/
			libres Espnt
			SL-1ST 4

TOTAL :				201 396	
Nom du réseau	Chef des opérations	Adresse et numéro de téléphone	Circonscriptions téléphoniques	Nbre de lignes d'accès au réseau	
3 Otanabee Telephone Limited	J. E. Downs Directeur général	63, Buile Gardens Toronto M6S 4J5 (416) 767-4042	Keene	1 196	
3 People's Telephone Company of Forest Limited (The)	R. K. Sutherland Directeur général	C.P. 700 Forest NON 1J0 (519) 786-2351	Aberarder Arkona Forest	755 543 2 557 3 855	
3 Roxborough Telephone Company Limited	J. W. Beach Directeur	C.P. 190 Moose Creek K0C 1W0 (613) 538-2800	Moose Creek	460	
3 South Bruce Rural Telephone Company Limited	L. E. Hale Directeur	C.P. 310 Teeswater N0G 2S0 (519) 392-6808	Mildmay Teeswater	1 300 1 300 2 600	
1 Thunder Bay Telecommunications	S. Hacio Directeur	241, rue Vickers sud Thunder Bay P7E 1J5 (807) 625-2121	Count Street Current River Mackenzie Munillo Riverview Rosslyn Shuniah Vickers Street	20 724 3 033 885 817 14 765 1 640 8 638 18 610 69 112	
2 Tuckersmith Municipal Telephone System	M. Graham secrétaire-trésorier	R. R. n° 1 Varma NOM 2R0 (519) 233-9908	Bayfield Clinton (S) Hensall Seaforth (S)	991 381 368 466 2 206	
3 Westport Telephone Company	S. Lynn Directeur	C.P. 252 Westport K0G 1X0 (613) 273-2121	Westport	1 723	
3 Wighman Telephone Limited	P. Wighman Président	C.P. 70 Clifford N0G 1M0 (519) 327-8012	Ayton Clifford Gornie Neustadt	475 660 1 197 353 2 685	



Nom du réseau	Chef des opérations	Adresse et numéro de téléphone	Circonscriptions téléphoniques	Nbre de lignes d'accès au réseau
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3	North Frontenac Telephone Corporation Limited	C.P. 130 Baden N0B 1G0 (519) 634-5300	Parham Sharbot Lake	637 987
3	North Norwich Telephones Limited	C.P. 33 Burgessville N0J 1C0 (519) 424-9801	Burgessville Norwich (S) Woodstock (S)	961 360 372
3	North Renfrew Telephone Company Limited	C.P. 70 Beachburg K0J 1C0 (613) 582-3600	Beachburg Pembroke (S) Westmeath	494 242 303
3	Northern Telephone Limited	M. W. Cooper Président-directeur général 25, rue Paget New Liskeard C.P. H P0J 1P0 (705) 647-7311	Abitibi Canyon Calstock Cobalt Connaught Detour Lake Earlton Elk Lake Englehart Fauquier Gowganda Haileybury Hearst Iroquois Falls Kamiskotia Kapuskasing Kirkland Lake Larder Lake Latchford Matatchewan Matheson Martice Moonbeam New Liskeard Opasatika Opishung Ramore Smooth Rock Falls South Porcupine Swastika Timmins Virginiatown	31 127 905 783 229 23 1 021 260 1 771 250 91 2 063 3 282 2 217 77 5 435 5 661 487 167 207 826 452 643 4 341 152 14 400 914 3 446 888 18 045 493

55 637

Nom du réseau	Chef des opérations	Adresse et numéro de téléphone	Circonscriptions téléphoniques	Nbre de lignes d'accès au réseau
3 Durham Telephones Limited	J. E. Downs Directeur général	63, Brule Gardens Toronto M6S 4J5 (416) 767-4042	Cavan Millbrook	506 1 148 1 654
2 Gosfield North Municipal Telephone System	J. Helkie Directeur	C.P. 130 Cottam NOR 1B0 (519) 839-4734	Cottam	1 258
2 Hay Municipal Telephone System	W. H. Wagner Directeur et secrétaire-trésorier	C.P. 99 Zurich NOM 2T0 (519) 236-4333	Dashwood Grand Bend Zurich	463 2 391 1 133 3 987
2 Huron and Kincross Municipal Telephone System	G. Grubb Directeur	C.P. 220 Rue Huron Ripley NOC 2R0 (519) 395-2625	Dunganon Ripley	942 2 010 2 952
3 Huronario Telephones Limited	K. V. Stevens Directeur	C.P. 59 Thedford NOM 2N0 (519) 296-4926	Port Franks Thedford	1 266 595 1 861
1 Kewatin Municipal Telephone System	C. Wasacase Président du conseil Conseil municipal	C.P. 139 Kewatin POX 1C0 (807) 547-2881	Kewatin	935
1 Kenora Municipal Telephone System	P. Lawton Directeur	C.P. 1110 Kenora P9N 3X7 (807) 468-7046	Kenora	6 092
3 Lansdowne Rural Telephone Company Limited	W. A. Grier Directeur général	C.P. 9 Lansdowne KOE 1I0 (613) 659-2212	Lansdowne	1 622
3 Manitoulin Island Telephone Company Limited	D. Patrick Chef de l'exploitation	Mindemoya POP 1S0 (705) 377-5553	Manitowaning Mindemoya	1 060 1 094 2 154
2 Mornington Municipal Telephone System	K. Frid Chef de l'exploitation	16, rue Mill est Millerton NOK 1M0 (519) 595-8331	Millerton	1 731

# ANNEXE II

## Résumé des données sur les entreprises de réseau téléphonique indépendant au 31 décembre 1988

Nom du réseau	Chef des opérations	Adresse et numéro de téléphone	Circonscriptions téléphoniques	Nbre de lignes d'accès au réseau
3 Abitibi-Price Incorporated	F. R. Robar Chef des services d'électricité	Iroquois Falls POK 1E0 (705) 258-3241	Iroquois Falls	767
3 Amtelcom Incorporated	D. W. Ingram Président-directeur général	18, rue Sydenham Aylmer N5H 1L2 (519) 773-8441	Aylmer Cambray Dyer's Bay Lion's Head Port Burwell Stokes Bay Stratfordville Tobermory	5 320 805 336 1 093 749 127 1 094 77
2 Blanshard Municipal Telephone System	B. W. Skinner Directeur	Kirkton NOK 1K0 (519) 229-8933	Granton Kirkton Sebringville Uniondale	573 982 1 187 49
2 Brooke Municipal Telephone System	E. Chapman Directeur	C.P. 40 Inwood NON 1K0 (519) 844-2160	Alvinston (S) Inwood Walford (S)	208 371 344
2 Bruce Municipal Telephone System	J. T. Scurfield Directeur	C.P. 580 Kincardine N2Z 2Z1 (519) 396-3322	Kincardine Paisley Port Elgin Tiverton	4 227 920 3 985 1 251
1 Cochrane Public Utilities Commission	R. V. Nichols Directeur général Secrétaire-trésorier	153, 6 <sup>e</sup> Avenue Cochrane P.O. 1C0 (705) 272-4232	Cochrane	2 744
3 Coldwater Communications Inc.	Ian Murray Directeur	18, rue Sydenham Street Aylmer N5H 1L2 (705) 686-3698		1 057
1 Dryden Municipal Telephone System	W. Greaves Chef de l'exploitation	30, avenue Van Horne Dryden P8N 2A7 (807) 223-2225	Dryden	3 914

1. Réseaux téléphoniques créés en vertu de la *Lot sur le téléphone* par les municipalités et exploités à titre de service public.

2. Réseaux téléphoniques créés en vertu de la *Lot sur le téléphone*, détenus en fiduciaire au bénéfice des abonnés par les municipalités et exploités par le conseil municipal ou par une commission dont les membres sont élus par les abonnés.

3. Sociétés constituées en société.

# ANNEXE 1

Tableau 1 - Types d'entreprises qui exploitaient un réseau téléphonique indépendant en Ontario en 1988

RÉSEAUX LIGNES	Nombre %	Nombre %	D'ACCÈS			
			30	100,0	201 450	100,0
Réseaux téléphoniques exploités à titre de service public par les municipalités	5	16,7	82 797	41,1		
Réseaux téléphoniques municipaux	8	26,7	26 671	13,2		
Entreprises constituées en société	17	56,7	91 982	45,7		
TOTAL :						

Tableau 2 - Répartition des entreprises qui exploitaient un réseau téléphonique indépendant en Ontario en 1988, selon leur importance

Nombre de lignes d'accès	Nombre de réseaux	En pourcentage (arrondi)	TOTAL :			
			30	100,0		
0 - 500	1	3,0				
501 - 1 000	3	10,0				
1 001 - 2 000	12	40,0				
2 001 - 3 000	5	16,7				
3 001 - 4 000	4	13,0				
4 001 - 5 000	0	0,0				
5 001 - 10 000	1	3,0				
10 001 - 50 000	2	6,8				
50 001 - 100 000	2	6,8				
TOTAL :	30	100,0				

Tableau 3 - Taux net de croissance de l'industrie du téléphone depuis 1980

31 décembre	Nombre de réseaux	Nombre de lignes d'accès au réseau	Variation en %
1981	31	165 687	1,70
1982	31	167 568	1,10
1983	31	171 421	2,30
1984	30	174 741	2,40
1985	30	178 527	2,20
1986	30	185 160	3,70
1987	30	193 751	4,60
1988	30	201 450	3,97

# SERVICES EN FRANÇAIS

**E**n novembre 1986, le gouvernement de l'Ontario adoptait la *Loi de 1986 sur les services en français*, L.O. 1986, chap. 45.

Cette loi réaffirme l'engagement du gouvernement de fournir des services en français au public.

Au cours de 1988, la Commission

ontarienne des services téléphoniques

s'est conformée aux directives et a

intensifié ses efforts pour offrir davantage

de services en français.

La Commission dispose du personnel

nécessaire pour répondre en français aux

demandes de renseignements du public

faites en cette langue. Par ailleurs, des

services de traduction sont disponibles

pour couvrir tous les aspects des audiences

publiques dans les régions visées par la loi.

En outre, c'est la première année que le

rapport annuel est publié dans les deux

langues officielles.

On s'attend qu'au cours du prochain

exercice, la Commission disposera de plus

grands moyens pour satisfaire à la néces-

sité de servir la population francophone de

l'Ontario.



## Huronario Telephones Limited

La société Huronario Telephones Limited a soumis une requête à la Commission le 14 juillet 1988 pour augmenter ses taxes d'accès, ce qui lui rapporterait 18 740 \$ de revenus et lui permettrait de recouvrer la perte de revenus subie à la suite des réductions des tarifs interurbains de Bell Canada, entrées en vigueur le 1<sup>er</sup> avril et le 16 mai 1988. Après avoir examiné les preuves soumises à l'appui de la requête, la Commission a rejeté celle-ci en vertu de l'ordonnance n° 5240 et a enjoint à la société requérante de poursuivre ses négociations avec Bell Canada en vue de parvenir à une entente de partage appropriée des recettes de l'interurbain de 1988. La société a déposé une demande de révision de l'ordonnance n° 5240.

En traitant cette demande, la Commission a indiqué qu'elle étudierait la question à condition que la société requérante puisse prouver que la décision du comité avait été influencée par l'un des critères suivants :

1. De nouveaux faits sont survenus depuis la décision initiale.
2. La décision contenait une erreur de fait ou de droit.
3. Une question de principe a été proposée devant le comité qui n'a pas été prise en considération.
4. Une nouvelle question de principe a été soulevée par suite de la décision initiale.

Lors d'une nouvelle audience qui a eu lieu le 2 décembre 1988, il était clair qu'il y avait effectivement de nouvelles preuves. En effet, dans les négociations avec Bell Canada, la société requérante avait utilisé

le taux de rendement de Bell plutôt que le sien pour arriver à un partage des recettes de l'interurbain. En se servant de son propre taux de rendement pour effectuer ce calcul, le revenu nécessaire était de 18 740 \$. Après examen de ce fait nouveau, la Commission a rendu l'ordonnance n° 5256 en vertu de laquelle elle a approuvé l'augmentation des revenus de 18 740 \$.

## Requêtes de hausses tarifaires générales

La Commission a étudié en 1988 les requêtes de hausses tarifaires générales provenant des entreprises de réseau téléphonique suivantes :

*Huronario Telephones Limited*

*Kenora Municipal Telephone System*

*Thunder Bay Telecommunications*

*Northern Telephone Limited*

*People's Telephone Company of Forest Limited*

En 1988, la Commission a autorisé les sociétés Huronario Telephones Ltd.,

Northern Telephone Limited et Thunder Bay Telecommunications à prélever des

augmentations et ainsi à s'assurer des

revenus supplémentaires respectifs de

18 740 \$, 350 000 \$ et 1 497 036 \$.

En juin 1988, la société Northern

Telephone Limited déposait une requête

auprès de la COST en vue de récupérer les

revenus qu'elle a perdus à la suite d'une

baisse des tarifs interurbains. Cette requête

a été reportée à la demande de la société

requérante.

examen du rapport et des observations du public à ce sujet, la Commission a émis l'ordonnance n° 5180 enjoignant au service des télécommunications de la Cité de Thunder Bay de mettre en oeuvre un plan triennal visant à modifier les limites de ses zones tarifaires.

Des la fin de 1988, les changements aux limites territoriales à l'intérieur desquelles s'applique le tarif de base du nord des zones desservies avaient été apportés de façon à inclure les abonnés établis le long de la Route 102, à partir des limites de la ville jusqu'aux confins de la zone de service du service des télécommunications de la Cité de Thunder Bay; dans le cas de Kakabeka Falls, de façon à inclure les abonnés établis à l'ouest de ce village; et, dans le cas de l'ouest de Murillo, de façon à inclure les abonnés établis le long de la route principale. Il est prévu que les limites territoriales d'application du tarif de base au sud de Murillo seront fixées d'ici la fin de 1989 de façon à comprendre les abonnés établis le long de la Route 11 jusqu'à l'extrémité de la zone desservie par le central téléphonique de Rosslyn, ceux établis le long de la Route 61 à environ deux milles à l'ouest des limites de la ville et ceux situés le long de la première voie transversale sur une distance de un mille et de façon que le secteur à tarif de localité Lakeshore s'élargisse à l'ouest sur une distance de un mille et demi, incluant ainsi les abonnés de la région aménagée. Les limites du secteur à tarif de localité MacKenzie seront élargies à l'est et à l'ouest d'ici la fin de 1990.

hormis quelques modifications et précisions à apporter. Toutes les parties ont convenu que la tenue d'une audience publique n'était plus nécessaire et la Commission a rendu son ordonnance définitive (n° 5239) touchant la question de l'approbation d'un plan de gestion distincte des caisses destiné à la division du marketing. En outre, la Commission a ordonné au TBT de régler 40 pour 100 des dépens taxes de toutes les parties concernées par cette affaire.

## Modification des limites territoriales du Thunder Bay Telecommunications Department

Au cours de l'audience publique qui s'est tenue dans le territoire du requérant et qui avait pour objet d'étudier une requête de hausse tarifaire générale présentée le 6 mai 1987, il est ressorti que les clients qui avaient été touchés par la restructuration des tarifs du service rural ne comprenaient ni comment ni pourquoi le montant de leur compte avait changé.

La Commission a ordonné au service des télécommunications de la Cité de Thunder Bay de fournir des explications détaillées aux clients concernés. En outre, la Commission a entrepris de mener une étude sur la façon de calculer les tarifs dans les zones rurales, en particulier dans les secteurs à tarif de localité. La Commission a fait appel aux services d'un expert-conseil indépendant. Le 12 février 1988, ce dernier a présenté à la Commission son rapport dont un exemplaire a été remis à toutes les parties intéressées pour commentaires. Après

En 1988, les membres de la commission d'enquête ont entrepris de procéder à une vaste consultation du public. Ainsi, dans un avis public qu'ils ont fait paraître dans les principaux journaux de l'Ontario et du Québec, les enquêteurs demandaient au public de soumettre des observations. En outre, les membres de la commission d'enquête ont écrit à plus d'une centaine de sociétés et d'organismes dans le but de préciser de les informer de la tenue de l'enquête et d'inviter tout intéressé à soumettre ses commentaires. Dans le but d'orienter les observations dans une direction définie sans pour autant les limiter, les enquêteurs ont publié un document de référence intitulé "Document pouvant servir de base de discussion des questions reliées aux contrats de partage des revenus provenant de l'inturbain entre les entreprises de réseau téléphonique indépendant de l'Ontario et du Québec et les compagnies auxquelles elles sont reliées". À la fin de 1988, l'enquête touchait à sa fin et un rapport devrait être publié au cours du premier trimestre de 1989.

### **Plainte de la Teleco Supply Co. Ltd. contre le service des télécommunications de la Cité de Thunder Bay**

Le 26 octobre 1988, la COST a rendu l'ordonnance n° 5239 au sujet d'une plainte déposée par la Teleco Supply Co. Ltd., entreprise de vente d'équipements terminaux. Le 24 mars 1986, la Commission a reçu une plainte de cette compagnie alléguant des infractions à la *Loi sur le téléphone* qu'aurait commises le Telecommunications Department of The

Corporation of the City of Thunder Bay (TBT) (service des télécommunications de la Cité de Thunder Bay) ainsi qu'une demande par la partie plaignante de tenue d'une enquête par la COST sur cette affaire et d'autres requêtes concernant certains autres avantages tarifaires. Essentiellement, les allégations faites par la partie plaignante avaient trait à la vente d'équipement terminal en deçà du prix coûtant par le service des télécommunications, acte contrevenant à l'ordonnance n° 4276 de la Commission qui autorisait le rattachement par terminal aux réseaux téléphoniques et fixait les conditions de vente d'équipement par les entreprises de réseau téléphonique. Après examen des renseignements qui avaient été fournis avant la tenue d'une audience publique, la Commission a rendu une ordonnance provisoire (n° 5191) le 14 juillet 1988 en vertu de laquelle le TBT était sommé d'adhérer au plan de gestion distincte des caisses destiné à la Marketing Division (division du marketing), lequel avait été déposé avec certaines modifications auprès de la Commission en 1986. L'ordonnance provisoire énonçait en détail le genre de renseignements devant être périodiquement fournis à la Commission, en plus de ceux prévus dans le plan de gestion distincte des caisses.

La partie plaignante a ensuite fait savoir à la Commission que ses intérêts seraient satisfaits si la Commission rendait une ordonnance définitive qui reprendrait l'essentiel de l'ordonnance provisoire



# QUESTIONS DE RÉGLEMENTATION ET IMPORTANTES DÉCISIONS

**Enquête conjointe entre la COST et la Régie des télécommunications du Québec\* sur les ententes de partage de revenus entre les entreprises indépendantes le l'Ontario et du Québec et Bell Canada**

**A**u cours de 1988, la Commission d'enquête conjointe instituée par la COST et la Régie des télécommunications du Québec a poursuivi ses travaux sur les ententes de partage de revenus, tant celles en vigueur que les autres, entre Bell Canada et les entreprises de réseau téléphonique indépendant.

Les membres désignés qui représentaient la

Régie étaient M. Jacques C.P. Bellemare, commissaire, et M. Jean-Claude Duchesne, commissaire. M. Bellemare a été remplacé ultérieurement par M. Jean-Pierre Gauvreau, directeur de l'Ingénierie à la Régie. M<sup>me</sup> Anna Stahmer, vice-présidente, et M<sup>me</sup> Lindsay Green, commissaire, ont été nommées pour représenter la COST au sein de cette commission d'enquête.

Les membres désignés ont reçu comme directive de la part des autorités dont ils relevaient respectivement de rendre compte de leurs constatations et conclure l'enquête ne visait toutefois pas à une résolution définitive des questions à l'étude.

- Le mandat de la commission d'enquête devait traiter des questions suivantes :
- ☐ l'impact des diminutions des tarifs interurbains de Bell Canada sur les entreprises de réseau téléphonique indépendant prises de réseau téléphonique indépendant (entreprises de circonscription locale) de l'Ontario et du Québec tenant compte du contrat de trafic conclu entre celles-ci et Bell Canada;
  - ☐ l'impact du rééquilibrage tarifaire proposé des tarifs du service local et du service interurbain de Bell Canada sur les résultats du contrat de trafic entre les entreprises de réseau téléphonique indépendant de l'Ontario et du Québec et Bell Canada;
  - ☐ l'impact des réductions des tarifs interurbains de Bell Canada et l'impact du rééquilibrage tarifaire proposé sur les abonnés (tenant compte du contrat de trafic);
  - ☐ les principes à la base d'un partage juste et équitable des revenus provenant de l'interurbain entre les entreprises de réseau téléphonique indépendant et Bell Canada, pouvant conduire à la nécessité d'élaborer un nouveau contrat de trafic; et
  - ☐ toutes autres questions pertinentes.

\* Anciennement appelée "Régie des services publics du Québec".

## PLAINTES ET DEMANDES D'ENQUÊTE DES CLIENTS

Conformément à l'article 6 de la *Loi sur le téléphone*, la Commission a pour mandat d'entendre toutes les plaintes et demandes d'enquête des clients touchant la qualité du service, les tarifs et les politiques de gestion de leur réseau téléphonique. Les entreprises de réseau téléphonique ont l'exclusivité des services téléphoniques locaux dans leurs territoires respectifs. Bien que les clients ne puissent choisir le réseau qui les dessert, les dispositions législatives prévoient qu'un service adéquat et efficace doit être offert à tous les clients du territoire où le réseau téléphonique est exploité.

En cas de conflit avec leur entreprise de réseau téléphonique, les clients peuvent adresser un recours à la Commission. En 1988, la Commission a été saisie d'environ 160 observations, plaintes et demandes d'enquête.



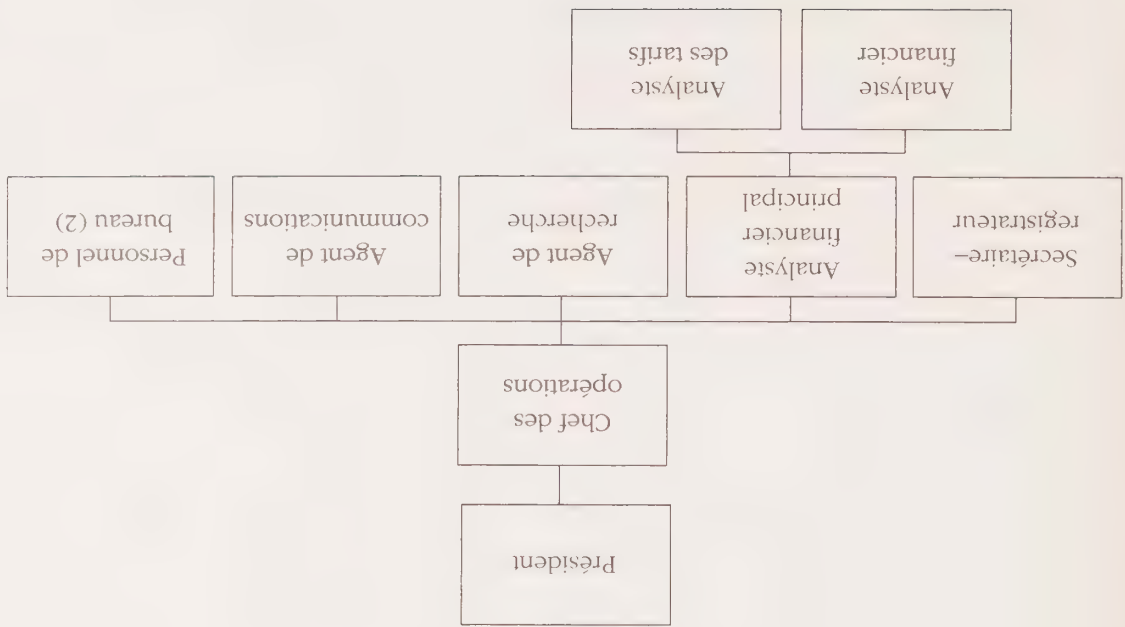
# RÔLE ET COMPOSITION DE LA COMMISSION

La Commission ontarienne des services téléphoniques est un organisme de réglementation provincial chargé d'étudier toutes les demandes déposées par les membres de l'industrie et par le public et d'y donner suite. La Commission a émis les ordonnances et les directives nécessaires aux fins de la réglementation des trente entreprises de réseau téléphonique indépendant de l'Ontario. En 1988, la Commission était constituée d'une présidente, d'une vice-présidente et de cinq membres, tous désignés par le lieutenant-gouverneur en conseil.

- Présidente, Mme V.W. Bielski, c.r.
- Vice-présidente, Mme A.E. Stahmer
- Membre, M. W.J. Buchner
- Membre, Mme L.A. Green
- Membre, M. R.G. Grzela
- Membre, M. G.E. Kaiser
- Membre, M. G.C. Rennick

La loi régissant la Commission est la *Loi sur le téléphone*, L.R.O. 1980, chap. 496, telle que modifiée par la L.O. 1983, chap. 71. En 1988, la Commission a rendu 154 ordonnances et tenu quatre audiences publiques à Toronto. Pour mener à bien son mandat, la Commission dispose d'un personnel de neuf employés. Le tableau suivant présente la structure organisationnelle actuelle de la Commission.

STRUCTURE ORGANISATIONNELLE  
DE LA COMMISSION



## MÉSSAGE DE LA PRÉSIDENTE

En revoyant les faits saillants de l'année écoulée, je constate avec plaisir que 1988 a été une année fructueuse, riche d'activités et de défis pour la Commission ontarienne des services téléphoniques. Tout en s'efforçant de remplir son mandat, la Commission s'est évertuée à prévoir les changements dans le domaine des télécommunications qui concernent l'intérêt public. En prévoyant ces changements, l'organe régulateur qu'est la Commission fait sa part pour garantir un milieu qui soit favorable à la prestation continue de services téléphoniques de qualité, offerts à des tarifs équitables et raisonnables, et pour assurer à l'industrie une croissance optimale.

C'est pour moi un honneur que de faire état de ces initiatives, et notamment de l'enquête conjointe menée par la COST et la Régie des télécommunications du Québec sur les ententes de partage de revenus entre les entreprises indépendantes de l'Ontario et du Québec et Bell Canada. Des enquêtes comme celle-ci constituent un apport précieux pour centrer les discussions touchant les politiques d'intérêt public sur des questions d'une importance vitale pour l'industrie du téléphone.

Un autre aspect très important du travail accompli par la Commission au cours de l'exercice réside dans les efforts réels que celle-ci a déployés afin de recueillir un vaste échantillon de points de vue du

public sur diverses questions. Dans les études effectuées par la Commission, un grand nombre de ces points de vue ont été pris en considération. En outre, les plaintes des clients ont été entendues et la participation du public aux requêtes de hausses tarifaires générales s'est avérée des plus bénéfiques. Je considère que cet apport est de la plus haute importance pour la Commission en sa qualité d'organe chargé de prendre des décisions dans l'intérêt public. J'ai la ferme conviction que la consultation du public ainsi que l'accessibilité de la Commission à ceux qui souhaitent lui faire part de leurs préoccupations continueront de figurer parmi les priorités de la Commission.

Les commissaires ont accompli un travail remarquable en 1988 et je suis convaincu que le temps et l'énergie qu'ils ont consacrés ne cessera pas de profiter aux entreprises de réseau téléphonique indépendant.

Il n'y a pas de doute que l'orientation prise en 1988 se poursuivra, bien que je prévoie que l'année 1989 offrira de nouveaux défis. J'envisage donc ces défis avec beaucoup d'enthousiasme et m'engage à y faire face avec un zèle renouvelé.

La présidente,  
V. W. Bielski, c.r.

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Le 4 avril 1989

L'honorable Lily Oddie Munro  
Ministre de la Culture et des Communications  
77, rue Bloor ouest  
6<sup>e</sup> étage  
Toronto (Ontario)  
M7A 2R9

Madame la Ministre,

C'est avec grand plaisir que je vous présente le rapport annuel de la Commission ontarienne des services téléphoniques pour l'exercice qui s'est terminé le 31 décembre 1988.

Veuillez agréer, Madame la Ministre, l'assurance de ma très haute considération.

La présidente,

A handwritten signature in dark ink, appearing to read "V. W. Bielski".

V. W. Bielski, c.r.



Ministre  
Minister

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Communications  
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L'honorable L.M. Alexander, C.P., C. St-J., c.r., B.A., LL.D.  
Lieutenant-gouverneur de l'Ontario  
Edifice de l'Assemblée législative  
Queen's Park  
Toronto (Ontario)

Votre Honneur,

J'ai le plaisir de vous présenter le rapport annuel de la  
Commission ontarienne des services téléphoniques pour  
l'exercice qui s'est terminé le 31 décembre 1988.  
Veuillez agréer, Votre Honneur, l'assurance de ma très haute  
considération.

La ministre,

*Lily Oddie Munro*

Lily Oddie Munro



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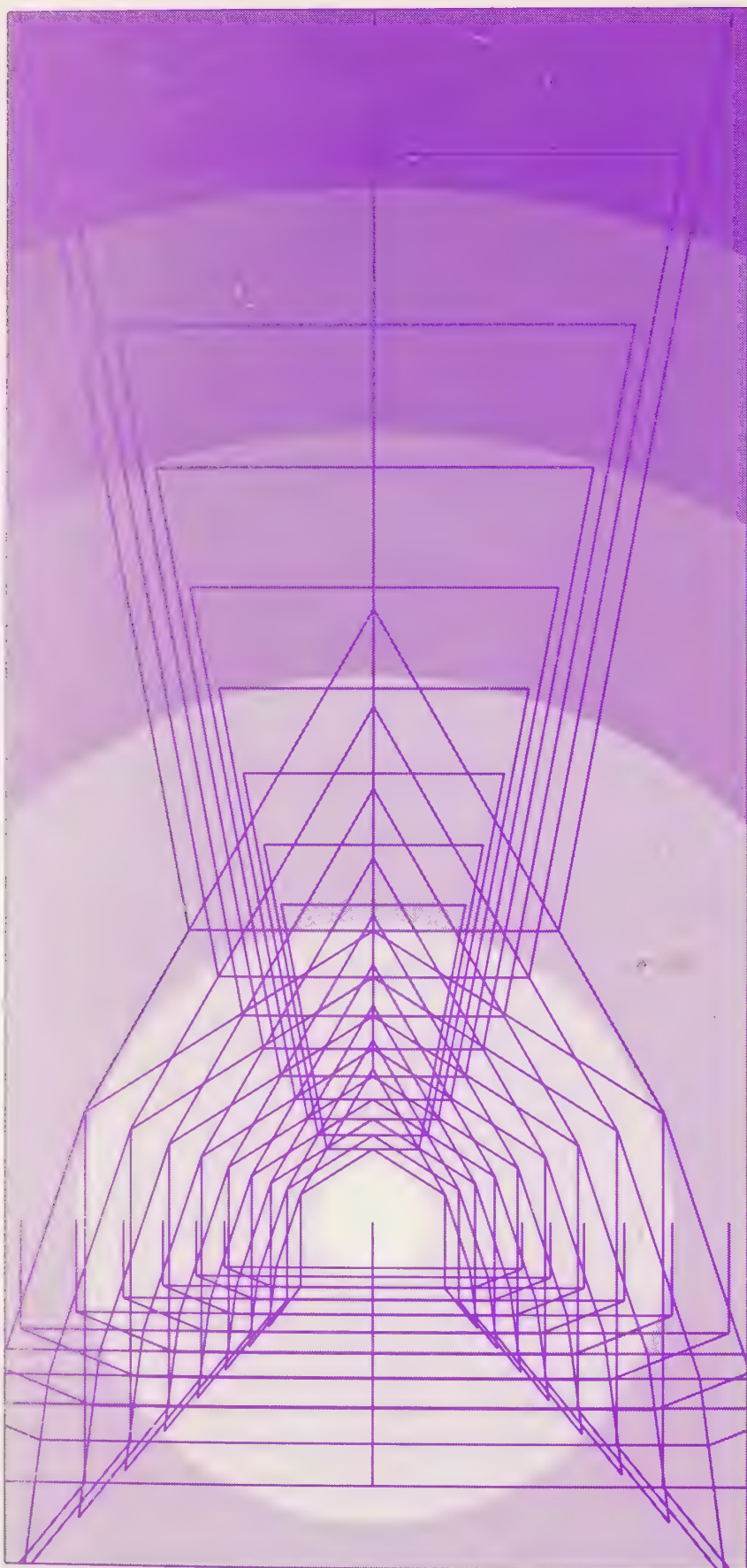
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COMMISSION  
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JUN 3 1992



